the MANAGEMENT REVIEW

the month's best in business reading . . .

OCTOBER, 1947

AMONG THE FEATURES

- PERSONNEL
- PRODUCTION
- OFFICE MANAGEMENT
- MARKETING
- FINANCE
- INSURANCE
- PACKAGING
- BOOKS OF THE MONTH

AMERICAN MANAGEMENT ASSOCIATION

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the MANAGEMENT REVIEW

Volume XXXVI No. 10

OCTOBER, 1947

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GENERAL MANAGEMENT...

Will Break-Even Point Break You?

PROFITS for the average company today are at, or close to, an all-time peak.

Yet, these days, despite the flow of black ink, few alert managers wear complacent expressions. Few fail to see the hidden threat to profits that lurks behind the sharp rise in break-even point —the sales volume that marks the dividing line between profit and loss.

Westinghouse, for example, doing more than $600 million a year, reports that its break-even volume is double 1941 and that a 25 per cent cut in volume will erase all profits.

Bald facts are that current high earnings are largely owing to and depend on record sales volume at attractive price levels. Profits are high because production or prices are high, or both—not because cost ratios are lower. Let prices drop off or markets ease, and profits can melt away like snow in a blast furnace.

Thanks to record demand, high production, and high prices, dollar sales volume of companies surveyed by *Modern Industry* shows an impressive gain. On average, it is up nearly two and one-half times 1939. But all costs are up as well, and practically all companies studied report a sharply higher break-even point. The average advance in the break-even point over 1939 is 115 per cent.

A higher break-even point, compared to prewar, is obviously not a danger sign in every case. For instance, a company that pours money into establishing a new product on the market will probably be raising its break-even point, but doing so intentionally in the hope of ultimate gain.

But for many, and probably most, companies, the rising break-even point is a signal for management, a warning that one or more of the following seven remedies should be sought promptly:

Increase number of units sold. Lifting sales tops the list of steps recommended by the firms surveyed, and for very good reasons: Its effects are immediate; it preserves profit levels despite high costs; it opens the way to lower unit costs as volume increases, and thus to lower break-even point; and it slices overhead costs per unit by spreading them over more units of output.

Modernize methods. Second place on profit-booster list goes to better methods. Here again, the order of choice reflects the urgent need for action. Improving methods is a plan that can go to work quickly without waiting on research, a new plant, or the delivery of new equipment. Moreover, results are quick: lower unit costs, wider profit margins, and lower break-even point.

Modernize equipment. Just under half of the companies surveyed by MI are adding new equipment now as a short-cut to more profit. Better equipment has the obvious advantages of lowering unit costs, increasing employee output, and insuring quality, which in

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turn helps to build more sales. This emphasis on new equipment spells intense competition from lower-cost producers.

Add new products with wider profit margins. New products, of course, offer twin possibilities of increasing volume without a like increase in overhead, and of wider profit margins to increase the balance after variable costs. One steel company, for instance, has built profits and hammered down break-even volume by concentrating on the more profitable specialty products.

Redesign products for wider profit margins. As with new products, new designs offer varied opportunities to insure profits by lowering the break-even point. Materials costs can be sliced, labor costs shaved, sales appeal stepped up. Under the grinding pressure of competition and complete consumer choice, it's the most useful and most appealing product that will move fastest and at the lowest selling cost.

Modernize plant. That only one out of every three companies surveyed has plans for plant modernization is probably owing, in part, to extensive improvements made during the war in many plants, and, in part, to the high cost of construction. More than one respondent will probably examine plant improvements when other steps have been exhausted.

Increase selling price. Low interest in higher prices is clear testimony to the respondents' belief that price boosts will only hasten market resistance. Raising prices is the last resort, not the first step to hold profits. Exceptions are those like the machinery producer who says, "Our break-even volume is so close to capacity production, we must lift prices first, try other steps later."

The percentages of surveyed companies using the above methods are, respectively, 79.2, 55.2, 47.6, 42.3, 41.5, 35.4, and 27.1.

In too many cases, today's record volume of production and sales is abnormal, resting uncertainly on pent-up demand and inventory replacement. Then, too, many companies face declining prices for their product as competition runs high.

A drop in sales volume of any size can quickly reduce income to a point where today's higher break-even point squeezes out the profit—while a drop in selling price can actually increase the break-even point further, unless unit sales score an impressive rise at the same time.

The sales volume needed to break even can be roughly measured by two convenient yardsticks.

First is the ratio of variable expense to sales. The bill for materials, labor, and other costs that vary with production determines how much of the sales dollar is left to cover overhead and provide a profit. Obviously, if the ratio of variable expense increases, it will take more sales to provide the total dollars required to cover overhead and maintain profits. Exactly this seems to have happened to many companies.

The percentage increase in labor and materials costs, in the case of the companies MI studied, is probably greater, on average, than the percentage increase in selling price. There is less of each sales dollar, therefore, left after variable costs to be applied to overhead and profit, even though the number of sales dollars is at an all-time peak.

Second yardstick for determining break-even point is, of course, the bill for fixed expenses. When this rises, it takes more sales dollars to yield enough marginal income, after variable costs, to cover fixed costs and leave a profit.

Here again, experience of the companies cooperating in the MI survey strikes a warning note. Every reply indicates an increase in fixed expense, with the average rise some 35 per cent over prewar.

Judging from this survey, the average company is vulnerable on two counts. The ratio of variable expense is higher than in 1939, and the marginal income is consequently lower; at the same time, fixed expenses are substantially higher. Thus a smaller share of each sales dollar is available to meet a larger fixed cost than ever before.

Most companies, fortunately, are not yet caught up in the current of declining prices and sales. There is time for advance planning and curative action before, rather than after, a profit-eating, high break-even point gets out of hand.

Modern Industry, September 15, 1947, p. 54:4.

Building a Fuller Community Life

THE Opinion Research Corporation has summarized the public's attitude toward industry's community responsibilities as follows:

To satisfy the community, a company must do more than hire people and pay wages: people look at a company as a social as well as an economic unit. A median average of 70 per cent of the people questioned felt that a company has additional responsibilities to the community. It should, of course, support local charities—the Red Cross, the Community Chest, hospitals, and other worthy philanthropies. It should, says the public, help boost, advertise, and build up the city. It should beautify its plant and surroundings and should help keep the city clean by eliminating smoke, bad smells, etc., as far as possible.

An example of industry's realization of its social responsibilities and the degree to which it carries them out is found in General Motors' development of its Doraville, Ga., plant.

When laying out the new plant's site, GM found that Negroes owned 80 per cent of the land to be cleared. To avoid the charge that white northerners were driving out the Negroes, the company paid high prices for the land, landscaped new plots, moved houses without charge, built new ones, renovated schools and churches, equipped the new community with streets, electricity and other services, and in general built up good will which enabled the company to recruit enthusiastic workers with ease.

Many other corporations are equally aware of their duties to the community. General Foods made money grants to 42 research institutions in 1944 alone for nutrition studies. The Ecusta Paper Company lends liberal support to the local hospital and a small college. Ecusta also sponsors weekly community movies in the plant's recreation room, and puts on bingo parties and square dances.

—***How to Tell Your Company's Story*** **(Research Institute of America, Inc.)**

What Is It That Makes You Happy?

ARE you happy? How happy are you? What makes you happy? The French Institute of Public Opinion tried to get answers to those questions.

It is possible that Americans might answer differently, but in France a third of the women and nearly half of all the men said their happiness depended on economic security. Votes for health were cast by only 21 per cent of the men and 22 per cent of the women. Wisdom was low on the list, 8 and 9 per cent respectively, and love was even lower, 1 per cent and 5 per cent.

Eleven per cent of the business men said they were very happy. Twelve per cent of members of professions made the same answer. Only 6 per cent of workers were in the happy class. The whole report was somewhat depressing.

—***Net Results*** **9/47**

Labor Relations on a Hard-Boiled Basis

CAMPAIGNING for labor peace and national well-being may seem much like making a soul-stirring plea for good digestion and pleasant weather; they are so obviously desirable that you wonder people even bother to speak up for them. Despite an unconscionable amount of talk on the subject, however, we are at best making lamentably slow progress toward industrial harmony and a sound national economy. In the hurly-burly of strife everyone seems to overlook the fact that scattered across America are industries which have been strike-free for decades, whose employees are deeply contented and highly productive without feeling that they are the objects of condescending paternalism, and whose stockholders steadily receive a fair return for the use of their capital.

Since ordinary methods of dealing with labor strife frequently get us nowhere, and since examples of successful labor relations are all about us, why doesn't it make sense to analyze the techniques which have proved successful, instead of relying solely on the hundreds of commissions and boards which poke dismally through the ashes of the failures? Countless valuable medical discoveries have been made by men whose keen eyes saw that people living under certain conditions were free from specific diseases; equally valuable discoveries can be made in the field of industrial relations by studying companies whose methods of dealing with employees have kept them free from labor ailments.

The value of such a trial should be painfully obvious, not only for the prevention of strikes but for the all-inclusive gain of increased productivity. Stimulation of productivity is not brought about simply with rousing speeches, fat pay envelopes, or the installation of orchid-colored sanitary drinking fountains. It is brought about by making sure in every way that labor's contribution to production is an *ungrudging* one.

Managerial productivity has long been stimulated through bonuses, and capital has nourished productivity because it receives a return on its investments. At the same time, an enormous spate of lip service has been paid to the similar tactic of insuring the productivity of labor through incentives of good pay, security, and pleasant working conditions—but in many cases the spate has ended where it began, with words alone.

One of my earliest surprises was the discovery that the prime factor at the heart of industrial warfare is frequently the need for security. Whether we like it or not, we are faced with the fact that a worker who feels insecure is only half a worker and contributes only grudgingly to our national productivity. A major part of any program designed to bring industrial harmony and spur production should be security—the security that is insured by realistic pension plans that enable the worker to regard the future without fear, by adequate insurance for the employee against sickness and accident, by company-paid life insurance that will protect his dependents in the event of his death.

Another highly important source of employee security, the much-discussed guaranteed annual wage, is not nearly so easy to install and apply as are pensions and insurance. Its values, however, are equally obvious and its difficulties in no way insurmountable.

While our company has not now a

guaranteed annual wage scheme, our present collective bargaining contract has created a labor-management committee charged with the responsibility of working out such a plan. Meanwhile, however, by carefully ironing out peaks and valleys in production, we have created a smooth flow of work which equals the guaranteed annual wage in effect, if not in actual fact.

Our contract has set up also a labor-production committee. This committee evolved from a union-management discussion of the fact that in the past some employees had been "burned" by "job consolidation"—i.e., merger of two jobs caused by new processes or new machinery—and it represents tangible evidence of the spirit of union-management cooperation that activated our attack on this problem.

The question of actual wages does not, of course, lend itself to any hard-and-fast rules. Under today's shifting economic skies it must be a matter of bargaining and rebargaining. There are, however, good and bad approaches to the wage problem. When an average group of executives sit down to consider a new operating budget, they usually say this of their advertising program: "How much money, in view of the company's needs and prospects, could we spend on advertising in 1947?" But when that same group meet to consider the problem of wages, the attitude is something like this: "How little can we pay our employees and still avoid a strike?"

The last time I took part in negotiations with a union, I decided to use the same yardstick for determining wages as for deciding our advertising appropriation. The advertising budget was determined by the amount of money needed successfully to sell our products. The wage scales were based on analysis of how much we could pay our employees to secure their ungrudging cooperation by showing that it is our aim to provide them with superior jobs in return for superior performance and superior products. This necessitated, of course, careful appraisal of the usual economic criteria involved in wage determinations, but with strong emphasis on the trend of thinking already described. The resulting figures were used as a basis for negotiations, and an agreement was quickly and amicably reached.

The whole question of security, production, purchasing power, and their components is not one of benevolence or of charity to labor. Some drastic lessons have shown us that labor resents being coddled as much as it resents being exploited. It is a question of mutual interest to labor and management—to the entire nation. We know it is a matter of mutual interest because we have found out so often how the vicious circle works in business: We can't produce unless we have customers, we can't have good customers without good wages and low prices, we can't have good wages and low prices without top-rate production. We know that a decline in general industrial production *from any cause whatsoever* brings a drastic and all but fatal slump in its wake. The answer is that the maintenance of productivity and purchasing power is of vital, *and equal,* interest to all three national partners—capital, labor, and management.

One standard retort to this argument is that no matter what you give to labor, it always wants more. Even overlooking the point that management has in the past often been partly responsible for this attitude by forcing labor to ask for far more than it hoped to get, there is still another way of countering this retort. When I was a store-to-store soap salesman, my customers used to make fantastically

unreasonable demands in the way of rebates, special privileges, premiums, discounts, and favors of every description. If I had turned red in the face, pounded the counter, and cursed out the customer with every bad name in my vocabulary, I wouldn't have sold very much soap. Yet many business men react in exactly that fashion to the demands of labor, and then wonder why they aren't selling themselves to their employees. I learned that there was always something behind the unreasonable demands of my customers, something which we were eventually able to iron out. Management, if it keeps its temper, can learn to spot the basic dissatisfactions behind the unreasonable demands of labor and eventually reach a working agreement over the true causes of unrest.

BY CHARLES LUCKMAN. *Harper's Magazine,* June, 1947, p. 510:6.

Double Exposure Letters

WE are apt to pride ourselves on "keeping up" with our correspondence—answering letters the same day, keeping our desks clear—at the same time overlooking the fact that too often our letters lack depth and breadth and humanness.

One corporation president whose letters possess these qualities in marked degree has for years separated his daily mail into two piles—"Strictly Routine" and "Double Exposure." "Strictly Routine" letters he dictates speedily, and signs without reading, since he has a thoroughly dependable secretary. "Double Exposure" letters he dictates thoughtfully and has typed on plain paper, triple-spaced for easy revision. These letters he allows to "season" overnight, or for three or four hours if they must be answered the same day.

Even though the first draft is satisfactory as to content, invariably he finds that a better or less hackneyed word or phrase can be used here and there, or a brief paragraph added that humanizes the exchange of correspondence.

Some letters he revises drastically, for by the time he takes them up for review his subconscious mind has raised points which were not in his conscious mind while he was dictating—the kind of points that so often occur to one after a letter has been mailed.

This executive testifies that his Double Exposure technique not only improves his letters but cuts down the volume of his correspondence, since every important letter he writes is so carefully thought out, and so complete and definite, that it obviates the back-and-forth letters often required to cover all angles of a situation.

—*Management Briefs* No. 12 (Rogers & Slade)

Your Chances of Getting Ahead

TO see how your chances of getting on in the world have changed during the past few decades, the McGraw-Hill Department of Economics has calculated how much it now takes to save enough to acquire a retirement income or a comparable stake in a business, as contrasted to what it took in 1914 and 1929.

The objective set is an income from investment equal to $3,000 a year in 1929 dollars. It is assumed that the savings required to yield this income are made over a period of 25 years. During that period it is also assumed that $4,000 per year (in 1929 dollars) is spent on living expenses.

Here is how the figures on required yearly income work out: 1914, $3,075; 1929, $5,267; 1947, $13,221.

It now takes more than four times as large an annual income as it did in 1914 to gain a comparable stake. It takes well over twice as much as it did in 1929.

Several other factors were omitted from the calculations because they would not have a decisive effect on the results. Thus, existence of social security pensions and retirement funds now reduces the income needed; but if state income taxes were added, the income needed would increase.

—JAMES H. MCGRAW, JR., in *Factory Management and Maintenance* 7/47

Shorter Hours Bring Permanent Employment Shifts

TODAY in the United States the employed worker undoubtedly receives more purchasing power for fewer hours of work than ever before. Aside from huge increases in costs, this has brought about economic consequences, in part favorable, which as yet can be seen only dimly.

Reduction of working hours—until recently a slow-moving trend—has in the past been halted or even reversed in boom times. Wages increased in such periods, but the demand for production was effective in raising the average time spent on the job. For example, in the rising prosperity years of 1924 to 1929, the length of the average workweek increased from 46.9 hours to 48.3 hours in 25 manufacturing industries. Conversely, hours of work were cut in depression, especially in the '30s. The law which in 1938 legalized the 40-hour week was a means of stretching employment. The present boom is the first one in which the reduction of working hours was accelerated. And rather surprisingly it has brought also an increase in purchasing power.

In the past the combination of greater pay and fewer hours was achieved slowly through capital investment in machinery. This time such investment seems to have been only partially responsible. We have achieved a record volume of output by employing enough more hands to overcome the effect of fewer hours. Compared with the prewar period, with its large unused industrial capacity, this means better utilization of plants and equipment and, therefore, lower fixed costs per unit as a partial offset to higher wage costs.

The evolution of the shorter workweek and the changes in employee earnings and purchasing power that accompanied it are traced in the tabulation below.

The consequences of the shorter hours are varied, and there is no doubt that in the future additional results will be recognized. But it is possible at this time to make the following six observations:

1. Most businesses by now have adapted themselves to the five-day week. It is improbable, therefore, that we shall ever return to the more than 1,750-2,000-hour year, either in any recession, obviously, or in booms except those caused by war.

2. Employment at present is greater by four to five million persons than it would have been under pre-depression conditions, after taking into account today's national output and increased productivity through use of machines. This is one reason, little noticed as yet, why we have not only the highest

HOURS AND EARNINGS IN 25 IDENTICAL INDUSTRIES

	Average hours worked	*Average weekly earnings in $*	*Average weekly earnings in purchasing power 1923=100*
1914	51.5	12.36	77.8
1929	48.3	28.55	107.2
1932	34.8	17.05	82.3
1939	37.6	27.04	120.2
Jan., 1945	46.2	50.80	180.6*
June, 1947	40.3	54.25	162.6

* Including overtime.
Source: National Industrial Conference Board.

employment on record but also persistently active business in the face of fears of recession.

3. The reduction of labor hours has taken place at a time when continuation of armament work at a rate far greater than ever before in peacetime, plus huge exports, plus deferred demand for goods at home, made for production at an unprecedented rate. Thus, we have reached a state which might be called over-employment; jobs are held by people who by previous statistical standards would not have been counted in the labor force. These people help keep the demand for goods high.

4. There has been a shift of employment to a greater proportion in the service industries and the "nonproductive" sectors of our economy. This trend, which has been under way for a long time, though it was interrupted by the war, has consequences of its own:

(a) In industries which embrace activities as varied as wholesaling, retailing, banking and insurance, restaurants, hotels, apartment houses, domestic services, entertainment, and administrative work, human labor is not likely to be reduced quickly by machinery. This is so allowing for the spread of office machines and for such new devices as vending machines and automatic laundry equipment rented out by the hour. From this fact an anti-depression effect must be expected.

(b) Employment and prosperity have become less dependent on the activity in capital goods, which has unmistakably been of great importance in the swings of business, though in the author's opinion perhaps less so than is commonly believed.

(c) By keeping demand for consumption goods at a steady level, the employment shift gives greater assurance to those who contemplate modernizing or expanding plant and equipment, thus giving even the capital goods industries added stability.

5. More leisure means expansion of pleasure industries, including travel, entertainment, arts, and sports.

6. On the other hand, more workers for the same volume of work mean, obviously, higher costs. The evident difficulty of reducing these costs by lower rates of pay or reduced hours may mean that if and when the inevitable recession comes, plants which under different circumstances might limp along on part time will shut down altogether. Break-even points have been raised for all employers.

Labor unions seem more likely from now on to go after more pay than fewer hours. Certainly we need a breathing spell for achieving productivity high enough to pay for the increased costs of greater leisure.

BY JULIUS HIRSCH. *Barron's,* September 8, 1947, p. 7:1.

Executive Guide to Press Relations

THE Johns-Manville Corporation, New York, which pays healthy respect to the press aspects of public relations, has issued to its executive personnel a newly revised and expanded edition of *J-M Press Relations.* Concise and unequivocal, this publication leaves little uncovered, states first that the company's aim is to keep the community informed about its doings at all times.

The booklet lays down a set of rules and instructions for dealing with the press. One section, for instance, makes the point that "No comment is no answer at Johns-Manville." Another states that "the press should not have to beg for news and Johns-Manville should never beg for free space." Other sections explain the duties of company contact men, stress that releases must be timely, factual, accurate, and neat. A special insert shows a Johns-Manville sample news release, combining all the points brought out in the text, and stressing the five cardinal questions: What? When? Who? Where? Why?

—Tide 9/26/47

OFFICE MANAGEMENT...

A Practical Approach to Office Cost Control

By J. A. HANDY, JR.
Controller
Deering, Milliken & Co., Inc.

"PRACTICAL" is defined in the dictionary as: "That pertaining to or governed by actual use and experience as contrasted with ideals and speculations." Outlined here is one typical company's program for securing immediate *practical* cuts in office costs. This program may provide other companies with ideas for curtailing their office costs as business returns to normal peacetime operation. It is premised on the following principles: (1) gather the facts; (2) set up a target, or budget; (3) use a rifle; (4) keep score; (5) bring home the bacon.

The first essential of any approach to the office cost reduction problem is that facts on costs be assembled—from the ledgers, cost journals, or other account books—verified as to accuracy, and prepared in the form in which they can be readily used by the office department heads and the office manager.

The target, of course, is merely another name for the budget. In many organizations, the over-all budget serves as the basis for the profit forecast and break-even charts and for the annual operating budgets that are presented to each department. The office manager departmentalizes the budget by lines of responsibility so that costs and reflected savings can be determined in advance. The budget thus establishes the objective and gives the office manager a point of departure in setting up the cost control program.

When the projected cost reductions have been reflected in the budget, the departmental budgets should be signed, summarized, and presented to top management, the requested savings agreed to in writing, and the commitment turned over to management as the office's share in the cost reduction program.

In setting up its target, the company under discussion uses for its departmental budgets a form on which the cost facts are summarized. At the top of the form, the average number of employees is listed. There are two columns for the prior-actual figures, so that the department head has an opportunity to review what was done in the past as a basis of experience. Then follow four columns for the proposed budget for the coming year, which should reflect the necessary savings over the prior-actual. The various expenses on the budget are broken down by their natural classifications, showing first the salaries of the office staff, clerks, executives, etc., and, below the salaries, a listing of the other expenses. When all the costs are summarized, they represent the budget for the particular department or division involved. Since office costs tend to remain somewhat steady regardless of the level of business, the flexible budget principle has not been established in this particular budget. At the right side of the form are

Adapted from an address before the Office Executives Association of New York (New York Chapter of the National Office Management Association).

columns for the final approved budget for the coming period.

In securing office cost reductions, the shotgun approach will almost always produce disappointing results. Office salaries will loom largest under the microscope of cost reduction. Therefore, a rifle should be used to kill off the largest costs first. To illustrate: An analysis in the firm under discussion, involving the costs of all the office departments throughout the organization, indicated that salaries of the office force constituted 77 per cent of clerical costs; material and machinery, including depreciation thereon, constituted 18 per cent; and miscellaneous costs constituted 5 per cent. It was obvious, therefore, that the place to begin cutting was in the salary expenses. It was evident, moreover, that salary costs could be reduced at the present time only by taking people off the payroll, not by cutting salaries.

Once the costs that require cutting have been established, it is necessary to set up some form of control which will permit departmental work measurement on a weekly and a daily basis

EXHIBIT 1

BILLING DEPARTMENT TYPING
LOCAL INVOICES
STANDARD TIME (PER EACH)

	STD.	RATIO OF OCCURRENCE	ACTUAL OCCURRENCE COUNTED	RESULTING AVERAGE TIME	TOTAL STANDARD
SOLD TO	.40				
SHIP TO	.20				
SHIPPED FROM & DATE	.10				
HEADING	.30				
COMMODITY	.13				
1ST LONG LINE	.30				
OLD COMMODITY	.15				
DISCOUNT	.08				
TEAR-OFF	.10				
CLIP & DISPOSE	.20				
EXAMINE ORDER	.25				
RECORD WORK	.08				
TIME COMMON TO EACH INVOICE					2.29
PLUS ALLOWANCE:					
SOLD TO - LONG LINES	.40	1/4	x77	30.8	
SHIP TO - LONG LINES	.20	1/2	x143	28.6	
SHORT LINES	.23	1/16	x19	4.4	
LONG LINES	.30	1/1.5	x183	55.0	
COMMODITIES	.25	1/10	x31	7.8	
OLD COMMODITIES	.13	1/10	x30	3.9	
DISCOUNTS	.08	1/10	x31	2.5	
FIGURES & PART NUMBERS	.15	1/10	x31	4.7	
NOTES PER LINE	.15	3/1	x900	135.0	
EXTRA COPY (INSERT)	.50	1/25	x12	6.0	
ERASE & CORRECT	.50	1/1	x300	150.0	
"NO PRICE" COPY	.25	1/25	x12	3.0	
PP & INS.	.15	1/6	x53	8.1	
TYPE "TOTALS"	.08	1/1.9	x160	12.8	
INFORMATION	2.00	1/50	x6	12.0	
TOTAL				464.6	- 1.54
WEIGHTED STANDARD PER AVERAGE INVOICE				÷ 300	- 3.83

during the period covered by the operating budgets. This measure should not only indicate how the departments are performing against their budgets, but should give management some physical measure of the volume of work being turned out and of the relative efficiency with which it is being performed.

To show the types of controls which can be installed to secure practical cost reduction in salary expenses, one department (the billing department) of the firm involved has been selected. In establishing actual daywork standards of operation through time study in this department, the first step taken was to ascertain how many invoices a day should be billed, priced, extended, and so on.

Exhibit 1 illustrates the time standards established by the time-study group for typing the various kinds of invoices. The different time elements are broken down by operations required to type the invoices. The elements common to each invoice are listed at the top; those which occur infrequently, at the bottom. When the time study was completed, it was determined that it took, on the average, 3.83 minutes for a biller to prepare a typical invoice.

Exhibit 2 illustrates the performance record kept by the average biller. The various types of invoices are listed down the side so that the biller can indicate in each of the columns the numbers and types of invoices on which she works. In this particular production unit, there were 20 girls. The extension of the number of in-

EXHIBIT 2

DAILY BILLING PERFORMANCE

WEEK ENDING

NAME - Typical Biller

OPERATION	MON.	TUES.	WED.	THURS.	FRI.	SAT.	TOTAL	STD.	EARNED MIN.
Local Invoice								4.0	
Local Cust. Form								3.7	
Store Invoice	153	122	134	125	131		665	3.9	2593.5
Store Cust. Form								3.7	
Credits			11				11	3.7	40.7
P/L		6					6	18.1	108.6
Invoice								7.8	
Foreign Invoice								9.0	
Type A								9.0	
Special Invoice								3.7	
Special Work Sheet								28.7	
Hghy. Rept. & Dec.								28.7	
Listing Orders							682	.10	68.2

Total Elapsed Time = 2400
Total Daywork =

"On Std" Min. = 2400

Total Earned Min. 2811.0

Total Earned Min. = 2811
"On Std" Min. 2400

% = 113%

EXHIBIT 3

BILLING DEPARTMENT COMPARISON CHART

Operation	*Average Day's Work Prior to Time Study Standard*	*Time Study Standard*	*Average Day's Work Six Months After Time Study*
1. Type Invoice	90 Invoices	120	136
2. Price-Discount Order	300 Orders	384	480
3. Comptometer Order Extension	400 Orders	480	538
4. Invoice Price-Discount Check	375 Invoices	400	412
5. Invoice Comptometer Extension Check	600 Invoices	960	1,075

voices times the standard, which gave the total earned minutes, was a simple, inexpensive comptometer operation, performed in a short time.

Exhibit 3, an analysis of the work of the billing department, including the billers, pricers, discounters, comptometer extenders, etc., indicates the over-all increase in output that followed installation of time-study standards. As production increased, fewer operators were required. When some of the operators were promoted or quit, they were not replaced; thus a substantial salary expense saving was effected. Such a reduction in salary costs, of course, enabled the department's supervision to make budget curtailments in accordance with the economy program.

Through the use of graphs or charts, record was kept of the number of orders and invoices handled per day, the over-all departmental efficiency, etc. The total elapsed time in minutes for the department was posted weekly so that the office manager was constantly aware of the performance of the department in terms of standard and in relation to the total available time. This gave the departmental supervisor control of the department in that it broke down the various sections of the department into production groups, providing a measure of the various group performances against standard. It facilitated control by the various group leaders in that individual performance sheets were prepared weekly and posted in the department, and any failure to meet standard could be traced down to the individuals involved.

This practical approach to cost control resulted in a reduction from approximately 75 to 50 employees in the billing department over a period of two to three months. In other words, the major element of cost—salaries—was cut approximately 33 per cent at almost no additional expenditure of money, merely through the establishment of time-study standards.

• WHAT PHASES of office management are of principal interest to office executives? Personnel relations received the vote of over half the 1,629 respondents in a recent NOMA survey; methods, systems, and procedures were indicated by over one-third; over one-fifth said business machines and equipment; almost one-fifth seek greater knowledge in accounting subjects, while almost as many pointed to work simplification. Nearly four out of 20 respondents expressed an interest in job evaluation, in-service training, physical factors in the office, salaries and wages, office standards. More than two in 20 had an interest in forms and records, educational subjects, letter-writing and reports.

—Vaughn Fry in *NOMA Forum* 9/47

Analyzing and Determining the Workload

COMPLACENCY dulls the initiative and dims the curiosity. Many companies today owe their efficient operations to the fact that they were jolted out of their complacency by a squeeze in profits, a depression, a shortage of personnel, or increasing costs—which necessitated analysis of their volume of clerical detail.

The volume of clerical work to be done and the distribution and accomplishment of the volume are inseparably related. One affects the other. Unless the office manager is committed to and believes in a *policy of analysis of work* (volume and method), regardless of the ability of his office staff to meet the established work schedules, unnecessary paperwork will be performed.

Determination of the workload and its analysis logically covers two aspects: (1) the long-range aspect, which has to do with anticipated volume of paperwork and the seasonal variation, if any, of the anticipated volume; (2) the short-range aspect, which has to do with daily fluctuations in volume and special assignments of a non-repetitive nature. Determination has to do with volume—analysis has to do with velocity and form. For purposes of brevity, this presentation will co-mingle these aspects and analyze them concurrently.

The first essential is integration of the operating forecast of the physical volume of business to be done and its interpretation in terms of paperwork, customers' orders, purchase orders, etc. This will be a guide to future volume.

A case at issue will illustrate this: Company A, a medium-sized Chicago manufacturer, was concerned during the war period with "back-ordering" which necessitated considerable correspondence and an average of four invoices per customer's order. These conditions increased paperwork by some 40 per cent above the 1939-1941 period. For 1947, this firm's sales forecast anticipated a 15 per cent increase in dollar sales over 1946. The office manager and the sales and production manager analyzed the figures upon which their 1947 budgets were based. The analysis showed that less correspondence was anticipated, fewer but larger customers' orders, fewer purchase orders, reduction in back-ordering, fewer special and rush orders—which all added up to an estimated 25 per cent reduction in clerical detail.

This type of analysis provides guides for future long-range planning. Immediate changes in personnel are not made, but the office manager is alert to the necessity for periodic analysis so that normal turnover can be used to weed out the least capable employees.

Effects on volume of office work of special sales drives and seasonal fluctuations in sales volume should be planned for in advance of actual occurrence. Temporary arrangements can be made to meet these demands if the opportunity of pre-planning is given.

All periodic reports not involved in the daily routine of handling paperwork should be analyzed to determine the required completion date. A system of "priorities" should be established to break bottlenecks which arise when control reports, accounting reports, statistical reports, and pure historical reports are funneled through the office at approximately the same time.

Cycle billing is but one illustration

of the application of intelligent management in eliminating the traditional month-end bottleneck. Better still is the discontinuation of month-end billing entirely and the substitution of tissue-thin copies of the original invoice, or sales slip, as the month-end reminder. Result: no posting, no bottlenecks, reduced volume of work.

The volume of paperwork (the workload) will influence the method used in processing the work. One company had six plants, located in the middle west, east, and southeast. Each plant employed an average of 200 employees—a total of 1,200. Employees were paid weekly. Because there was insufficient volume at each plant to warrant machine methods, payrolls were made up manually, requiring the services of six employees—one at each plant. It was found that by centralizing the payroll at the main office, an accounting-payroll machine could be used to do the entire job. One employee and a part-time employee took care of the detail. The plant had available help to assume the timekeeping duties and payroll summary work, hence there was a direct savings in clerical help.

This situation, under slightly different circumstances, can be reversed, and by decentralization of clerical functions economies can be effected.

The time element influences the volume of work to be accomplished. Company B estimated the volume in one department as follows: It was anticipated that there would be produced, on the average, 1,000 units of work, the standard time of which would be 15 minutes per unit, or 15,000 minutes—making a total time demand of 250 hours monthly. The period during which this time requirement took place was between the 8th and the 24th of each month. Hence the 250 hours were required during half the month, which on a monthly basis was equivalent to about 500 hours. With 173 hours available per month per employee (40 hours per week times 4⅓ weeks to a month), 3 full-time employees were provided. Odd jobs and fill-in assignments (which produced no value) were used to take up some of the slack during the period when few, if any, regular duties were being performed.

No one had analyzed the flow of work, nor had anyone attempted to study the reasons for the concentration of tasks within the two-week period of the month. Through analysis and proper scheduling, the time element was changed so that the work flowed in over a longer period of time. Hence, the 250 hours of labor required to process the work was spread over 25 days instead of 15 days, materially changing the workload distribution. Two persons, with some available time for other tasks, were able to process the work, whereas three had been required. Many other companies are overstaffed to meet an irregular flow or concentrated flow, which, if analyzed, could be smoothed out and scheduled. Company B, in this example, effected the improvement by the change in scheduling the reports from branch offices. Instead of having the reports come in at a fixed date, the reports were staggered so that the processing was done almost continuously without material loss of uniformity or distortion of comparisons. Thus the bottlenecks were broken.

If control over method is instituted; if checks and balances are used to re-

duce the indefinable but ever present trend toward complexities of system; if *periodic* analysis of jobs, paperwork flow, and processes becomes a regular part of the office manager's schedule of responsibilities—control over the volume of clerical work will be reasonably assured.

By HARRY L. WYLIE. *N.O.M.A. Conference Proceedings,* 1947, p. 22:6.

Inventory Pricing Speeded

INVENTORIES are maintained in three different cities by the Astrup Company of Cleveland. In the past, inventories were written at each of the firm's warehouses according to the order in which they came in the bins. Since bins are arranged differently at each warehouse, it was a long job to price the inventories upon their receipt.

Accordingly, an alphabetical list was prepared of all the materials the company handles. Then ditto copies of this list were made, all items, of course, still arranged alphabetically. One set of these is sent to each warehouse to be filled in at inventory time. The remaining copy is kept at the home office and priced prior to taking of the inventory.

When inventory sheets are received from each warehouse, it is merely necessary to copy from the master set of prices in the office on to the three warehouse inventories. This procedure saves considerable time.

—*Office Management and Equipment 6/47*

Development of Office Standards Under Way

A PROJECT for the development of office standards has been inaugurated by the American Standards Association under the sponsorship of the National Office Management Association. A number of other organizations, including the AMA, various government bureaus, and suppliers' associations, are cooperating.

Aim of the project is to develop standards for several phases of office management—forms, records, and procedures; paper; physical and physiological factors; office personnel; office supplies; office furniture and business machines.

Meetings at which office standardization problems will be discussed are being planned by many local NOMA chapters throughout the country. Those who are interested in participating, or who wish to organize their own cooperating groups, should contact the local NOMA chapter nearest them or address their inquiries to R. E. Shull, Chairman, Office Standards Committee, National Office Management Association, 2118 Lincoln-Liberty Building, Philadelphia 7, Penna.

THERE COMES A TIME in the development of ourselves when receiving from others, which is the essence of selfishness, gives way to the irresistible urge to give to others—to grow beyond the limits of one's own skin, whether in the creation of a family or the building of a good society. We reach a point when we become satiated with ourselves and when life demands that we turn outward toward other human life. Then we cease being the passive vessel and ourselves become the living spring. Life does not ask us our wishes in this matter, but in the very process of our very biological maturation it forces us to renounce our status as parasites upon life and summons us to become the patrons of life.

—JOSHUA LOTH LIEBMAN in *Peace of Mind*

PERSONNEL...

The Economics of Wage-Dispute Settlement

THE debate over wage rates in the public press and in proceedings between management and labor organizations has popularized economic analysis and introduced certain cliches or standard arguments, employed by the side that regards them as most effective at the time in winning the case. Typical of these are the phrases, "comparable wages," "productivity," and "cost of living." It is the purpose of this article to examine the implications of such economic slogans and discuss the limitations that should be recognized by those who employ them as principles of wage determination.

Comparable Wage Rates. No argument is employed more frequently in wage discussions than that wage rates in one bargaining unit should be equalized with, or related by a particular differential to, wage rates in other "comparable" bargaining units.

The slogan, "equal pay for equal work," commands wide support. However, for reasons which will now be surveyed, the illusion of simplicity vanishes in the attempt to give meaning to the concept of "comparable" wage rates in any particular dispute situation.

(1) The content of job classifications designated by the same job title varies widely among different employers. The range of duties assigned to a single worker has not been so standardized among plants as is widely assumed. Varying ages and types of equipment, differing scales of operation between large and small plants, and differences in techniques are factors making for dissimilar job contents among firms producing roughly similar goods.

(2) Comparability in wage rates is impaired by variations in the method of wage payment. Some workers and job classifications are remunerated on an hourly rate basis, others are on individual piece-rates or incentive rates, while still others are paid on group incentive plans. The content of job classifications may be identical, but the amount of services performed and purchased will ordinarily vary with the method of wage payment. Among incentive systems, for example, there are substantial differences in the definitions of the "standard performance" and the extent of "incentive pull" for additional output. These differences affect the meaning of inter-plant comparisons of wages.

(3) The influence of regularity of employment upon wage rates must be assessed in defining comparable wages. The level of rates for maintenance occupations with steady employment, for example, is frequently, though not always, below the rates for the same crafts engaged in seasonal construction work.

(4) The terms and conditions of employment typically include not only the occupational rate but also other "money" conditions such as shift premiums, vacations and holidays with pay, sick leave, pensions, social and health insurance, paid lunch periods,

Christmas bonuses, etc., to mention the more prominent terms. The total contract of employment involves many other items that are less immediately "money" terms, such as union recognition, seniority, management rights and grievance machinery, and arbitration. In the bargaining process there is frequently substitution among basic rate adjustments and shift premiums, vacations, and health insurance plans. There may even be important trades between the "money" items and other provisions of a contract. Comparison of wage rates under these circumstances may become particularly tenuous.

(5) The geographical implications of "comparable wages" can be most perplexing. The concept of a "labor market" has no direct correspondence in geography. Specifying the labor market in accordance with the cost of transportation or the knowledge of job and wage opportunities does not yield precise results. The inclusion of suburbs and satellite communities can be as difficult as the grouping of larger towns and cities. The areas of uniformity have in general spread in recent years, although uniformity appears to be greater in periods of high employment than in loose labor markets. If the standard of comparable wages is to be employed, we cannot escape the difficult task of defining the geographical limits of the appropriate labor market.

(6) In determining "comparable" wage rates, what grouping of firms should be selected? Business enterprises are ordinarily regarded as clustering into industries, segments, or smaller groups among which product competition is relatively closer than with firms outside the group. But every business, if we except a few perfectly competitive markets, has its specialized market and clientele. The grouping of firms according to similarity of product-market conditions is a convention always subject to further subdivision.

For example, the trucking firms in an area may be subdivided into over-the-road and local trucking enterprises. The latter may be classified in turn into product groups—oil, coal, grocery, department store, express, etc. Any one of these groups, such as oil, in turn could be further subdivided into: national distributors, local companies, home delivery, industrial uses, etc. The choice of groupings among firms presents the most difficult of problems.

Productivity. In recent days management, editorial writers, economists, and some labor leaders have been preaching that increased productivity alone provides the basis for wage increases. As a guide or a rule of thumb in any particular negotiation, however, the principle has grave difficulties which may be briefly summarized.

(1) The rate of change in productivity in our economic system varies widely among the component segments. Within an industry the rate is normally quite different among firms. Even within a firm or plant the rate varies among departments, machines, and operations. The wage structure of a particular plant or department, if it were geared absolutely to changes in productivity, would soon become intolerable. Employees in continuous strip mills and on tin plate operations in the steel industry, for instance, would have had enormous wage increases in the past 10 years in comparison with employees in other sectors of the industry. Under such circumstances the wage structure would bear very little relationship to skill, experience, or other factors typically taken into ac-

count in settling rate structures. Nor would the wage structure bear any relationship to wages paid for comparable operations in other industries in steel centers.

In the same way, the adjustment of wage levels among industries exclusively according to this principle would distort the wage structure of the country. Industries in which productivity increased rapidly would experience large wage increases, while in others wage rates would remain relatively unchanged. Either as a matter of allocation of resources or as a means to the maintenance of industrial peace, the absolute adoption of such a principle for determining the structure of wages among industries would be catastrophic.

(2) In many industries the task of constructing an index of physical production is formidable, if not impossible. There may be many different products and their proportions in total output, or the "product-mix," may change frequently. While changes in quality and specifications will be particularly important in a job-order business, these factors are present to some extent in almost every case.

(3) Between any two periods output per man-hour may vary as a result of a great many different factors, including: a change in the composition of production, changes in the average effectiveness of plant and equipment, a change in the composition of the workforce, and improvements in earlier stages of production. These circumstances are hardly equally valid bases for an increase in wage rates in a particular plant or company.

(4) Depending upon the precise meaning given to the productivity argument, the problem of the relation of wage changes to declines in productivity may have to be faced. There are instances in which performance per average unit of labor input may decline as a result of the exhaustion of a resource, the use of a less skilled labor force on the average, or as the result of less intensive application. Under these circumstances is there an argument for a wage decrease?

Cost-of-Living Index. As an absolute principle of wage determination the cost of living has severe limitations:

(1) The cost-of-living index typically contains important components, such as food and rent, whose price movements are not necessarily good barometers of the change in other wage-determining factors. For reasons peculiar to agriculture and housing, these prices may be out of line relative to the general level of prices. If this be the case there would be serious question as to the propriety of altering the general level of wage rates, or any rate, by the application of the cost-of-living standard. There have been periods, such as the '20s, in which industrial prosperity has been associated with agricultural depression. To contend that this fact should be binding in industrial wage-rate determination is dubious, just as a temporary rise in the cost-of-living index arising from a disappointing harvest would hardly be regarded as an appropriate basis for an upward revision in wage-rate levels.

The absolute application of the cost-of-living standard would force practically uniform wage-rate adjustments in all cases. (Admittedly, there are minor geographical variations in rates of change in the cost-of-living index.) But there may be occasion for important variations in the rates of change in wages among firms and industries.

(2) Labor organizations have fre-

quently indicated that application of the cost-of-living principle over any considerable period would result in a stationary real standard of living for wage earners. The gains of productivity in our system have normally been translated in part into increases in wages and salaries. The rigid application of the slogan of cost of living would result in a stationary real wage rate.

(3) It is difficult to measure changes in the cost of living. It is not always clear whether the proponents of the principle in collective bargaining are interested in measuring the *price* of a constant bundle of goods and services, or whether they are attempting to measure the change in average expenditures. The latter concept includes the effect of changes in income levels, the effects of administering the price structure so as to make available particular price lines of commodities, and "forced" substitutions of the type necessitated by wartime conditions.

(4) If wages are to be adjusted to the changes in the cost of living, there must be some starting point or appropriate base period. The unions normally would select the period of the last wage change, in cases of increasing cost of living, while employers would emphasize the point that some more representative period of real earnings should be selected.

(5) Automatic adjustment of the general level of wage rates to the cost-of-living index is not always appropriate policy. There may be times of high employment and output in which such a policy would result in cumulative wage and price increases. High employment is always loaded with inflationary dangers, and wage rate adjustments at such periods must be approached with care to avoid unstabilizing consequences.

By John T. Dunlop. *Law and Contemporary Problems,* Spring, 1947, p. 281:16.

A Form for Perpetual Seniority Records

A PERPETUAL seniority inventory system developed by the Leland Electric Company, Dayton, with the help of its union, and used in every personnel transaction involving length of service, has virtually eliminated grievances connected with seniority.

The system is simple. Seniority is recorded separately on three copies of a special card which provides space for essential seniority information under the following vertical headings: date started in plant, date started in department, date started on job, clock number, job classification, date left, reason for leaving.

The master card is kept in the personnel office, the second card in the department in which the employee works, and the third in the union office. The department card follows the worker through the plant from the time he is placed on the payroll, showing all subsequent transfers, promotions, layoffs, rehires, and the like.

If it should become necessary to make a reduction of staff in any department, employees with least seniority are easily identified. The department head merely arranges his cards by seniority. Seniority cards affected by the departmental change are given consideration for plant-wide seniority. With the aid of the chief steward and superintendent of the plant the cards are then arranged according to plant-wide seniority. After final arrangement of the cards, transfers and payoffs are made out for the employees affected.

Parents Help Keep Junior Workers on the Job

AS a solution to the absentee and turnover problems that commonly arise when young workers are employed, one company devised a special letter to junior employees' parents, enlisting their cooperation. The results were excellent—possibly because the letter, which is reproduced here, solicits parents' interest by stressing *management's* interest in the beginning worker's job success.

Dear Mr. and Mrs. Smith:

As you know, your daughter, Constance, has joined our organization in the capacity of clerk in our Order Department. Ours is a large organization employing about 200 persons and, we are glad to say, is composed of ladies and gentlemen.

Because this is Constance's first business venture, we are extending a cordial invitation to you to come to our office at your early convenience and see the environment in which your daughter works. We are most sincere when we say that we shall do everything in our power to make her business life a success. In this connection, we need your assistance. We think, therefore, that it would be a fine idea for you to come in and see for yourself what our office is like and the caliber of the people who comprise our staff.

We expect strict loyalty, prompt attendance, and a minimum of absenteeism on the part of our personnel. We are trying to provide every facility which will make for employee happiness, and we have every reason to believe that your daughter's experience with us will be no exception to that of many young ladies who have joined our staff in the past.

We solicit your cooperation and assure you of our best efforts to make Constance's stay with us constructive and profitable.

Yours very truly,

Treasurer.

Educational Aid Program

GENERAL MILLS has announced that it will reimburse employees on night school tuitions up to $30 per person annually in a program designed to encourage self-improvement among personnel.

All the company's 12,000 employees are eligible to participate. When night school facilities are not available, the company may approve correspondence study.

Early registrations indicate that the vast majority of employees residing in the Minneapolis-St. Paul vicinity will attend night classes of the University of Minnesota. Others are signing with local business and high schools.

One course of study will be eligible for reimbursement per semester or quarter, and it must be related to the employee's work or the position for which he is training. Courses must be taken at recognized and approved institutions.

Advances of up to $15 on tuition may be made at the start of the training, with the balance paid upon completion of the course.

Vacation Invitation

IN the future, employees over age 50 who have been with Curtiss Candy Company 20 years or more will receive two weeks of paid winter vacation in addition to their regular two weeks' summer vacation. Twenty-year employees who are under 50 will receive one week of paid winter vacation in addition to the two weeks they have been receiving in the summer. At present 95 men and women employed by the company are eligible for these additional vacation benefits.

—Commerce Magazine 9/47

Control of Respiratory Diseases in Industry

INDUSTRIAL records indicate that acute respiratory diseases are the most important cause of sick-absenteeism. It is estimated that the working people of this country lose about one billion dollars annually in wages alone because of respiratory illness, while the loss to their employers must run into many millions. Hence, though people spend only one-third of their time at work, any measures industry can adopt for reducing respiratory infections are of importance.

Extensive experiments on respiratory diseases conducted by the Army and Navy during the war period have given some information about methods for their control which might be of value to industry. These data appear to justify the following conclusions:

1. Since respiratory infections originate from people who have the disease-producing organisms in their throat and nose, the most important preventive measure is good personal hygiene to avoid the dissemination of such organisms into the air. A sound health education program should be of value in this respect. It is also suggested that industry might supply paper handkerchiefs to their employees and request them to use these when sneezing, coughing and blowing the nose and then to place them immediately in conveniently located receptacles.

2. To prevent droplet infection a distance of a few feet should be allowed between workers who face each other.

3. Oiling of floors and oil sweeping are of value in preventing the bacteria and other organisms, which settle to the floor, from again contaminating the air. This procedure may lead to a reduction in respiratory diseases such as streptococcal infections.

4. Air disinfection by irradiation of the air with ultraviolet light or by aerosols is not considered practicable for industry at present.

5. Proper sanitation in the preparation and serving of food is essential to prevent the transmission of respiratory diseases by this method.

6. Army studies have shown that the recently developed vaccine against the influenza virus Types A and B will greatly reduce the incidence of these diseases. However, there is no evidence that this influenza vaccine or any other vaccine will protect against any other types of respiratory infections including many conditions mistakenly diagnosed as influenza. It is recommended that industry urge their employees to be vaccinated against influenza A and B when signs of an epidemic of these specific conditions appear in the community, but since the duration of the immunity resulting from the influenza vaccine has not been determined and since influenza epidemics cannot be accurately forecast, it would seem better not to urge vaccination in anticipation of an epidemic. Although vaccination of all employees probably would reduce to a large extent the absenteeism during the period of an influenza epidemic, it would only slightly reduce the annual respiratory disease rate even in years when an influenza epidemic occurs.

7. The continuous administering of drugs such as sulfadiazine for prophylactic purposes is dangerous because it may lead to a condition in which drug-resistant strains predominate, and

thence to epidemics of these infections. Under certain conditions, such as when streptococcal or meningococcal infections appear in a group of employees, drug prophylaxis should be used for temporarily controlling the spread of these infections.

8. Experiments have shown that neither irradiation of people with ultraviolet light nor the addition of vitamins to an ordinary diet will increase the resistance of industrial workers to respiratory infections.

9. The evidence indicates that sudden chilling of the body, exposure to inclement weather, or a marked fall in outdoor temperature lower the resistance of some people to respiratory infections. Measures to protect against the chilling of the body are therefore important.

10. The analysis of industrial sickness records and the referring of those workers with repeated respiratory illness to their private physician for treatment is also recommended.

From an address by Anna M. Baetjer before the Eleventh Annual Meeting of the Industrial Hygiene Foundation of America.

Common Errors in Employee Merit Rating Practices

ANALYSIS of the employee merit rating procedures of 125 companies reveals that most of the plans are subject to several basic errors. While the companies surveyed by no means constitute a random sampling of all enterprises in the United States, it is likely that the results are representative since they follow the same general pattern shown in previous employee rating surveys.

That the popularity of the rating scale continues is amply demonstrated by the fact that the scale method was reported in use by 106 companies; the check list method, by 12; and ranking, grading, or a combination of these, by 7.

The seeming simplicity of the rating scale attracts the busy personnel executive and the busy supervisor as well. This survey indicates, however, that the full benefits of the rating scale plan are seldom realized because of the following common pitfalls:

1. Traits are not described in definite, simple, unambiguous language.

2. Traits do not refer to a single type of activity or to the results of a single type of activity.

3. Traits are often a composite of a number of factors which vary independently. For example: "judgment and self-control", "versatility and general knowledge."

4. Frequent use is still made of general terms, such as, very good, below average, excellent, inferior. This is true in about half the cases, with a few companies providing detailed descriptions or standards of performance as a guide to the rater in making his decisions.

5. Traits are included upon which reliable or more objective data is obtainable. Many scales include references to health and attendance, when medical and payroll or attendance records would provide the actual facts.

6. Raters are asked to rate on traits which are not observable in the work performance of the employee.

How could the rater more than guess, in most cases, when asked to rate employees on moral character or interest in community affairs?

7. In more than 80 per cent of the companies, recognition is not given to the fact that traits are not necessarily weighted in the way intended when a predetermined set of maximum values are assigned to each trait. In combining rating points the scores weight themselves automatically in proportion to their respective variabilities.

It may be true that any formalized rating plan is better than none at all, but it is difficult to believe when some company plans are guilty on all the foregoing points. It is important that the personnel executive evaluate his employee rating plan once in a while against theoretical rules, prevailing practice, and above all, against the objective for which the plan was originally established.

By Walter R. Mahler. *Personnel Journal,* June, 1947, p. 68:7.

Labor Turnover and Its Correlates

IN a study of the relationship between labor turnover and each of 24 other variables in seven major manufacturing divisions of an Indianapolis electronics factory, three variables were found to be significantly related to turnover: (a) hourly earnings of male workers; (b) job monotony; (c) promotion probability.

A larger study of 40 variables in 53 departments of a Camden, N. J., electronics factory revealed statistically significant tendencies for departments highest in per cent of workers quitting the company for avoidable reasons to be departments which are:

(a) high in per cent of female workers among hourly-paid employees;
(b) low in hours worked per week per hourly-paid female employee;
(c) low in hourly earnings of hourly-paid male employees;
(d) high in difference in average hours worked per day by each sex;
(e) low in social prestige for average job;
(f) operating under a wage incentive system;
(g) high in job monotony;
(h) low in morale (union ratings).

—Journal of Applied Psychology 8/47

Less Labor Turnover—Because Applicant Previews Job

HIRING is a two-way process at Victor Manufacturing & Gasket Company, Chicago. First, management looks at the applicant. Second, the prospective employee looks at the job. Result—labor turnover has been cut from 10 per cent to 4 per cent a month—a reduction of 60 per cent.

Under this "job introduction" plan, the applicant is first interviewed in the employment department and a decision is made as to his acceptability to the company. No matter what job the individual is applying for, he is introduced to the department by one of the employment clerks. The foreman then takes the applicant around the department, explains the various work in process, and tells him the exact nature of his own particular work. Thus the foreman is given an opportunity to evaluate the applicant and the applicant a chance to size up his own future.

This plan takes longer than ordinary hiring procedures, but the additional expense and time have been more than justified by a sizable reduction in new employee training expense, better supervisory-employee relations, improved production efficiency, and a more stable, as well as a more contented, workforce.

—Factory Management and Maintenance 7/47

Creating and Expressing Sound Personnel Policies

THE successful operation and perpetuation of any business require not only capital, plant and equipment, and personnel, but also standards of conduct which, when fulfilled, enable the company to discharge its obligations and achieve its objectives. These standards which represent the basic philosophy of the business, are expressed in the form of policies.

The dynamic character and complexity of most business operations today make it necessary to give constant and full consideration to any factors which may lead to changes or additions in policies. Among such factors are: suggestions and recommendations of employees; employee complaints; suggestions and recommendations made by managerial personnel in foremen conferences and individual discussions; evidence of any failure to meet company objectives or fullfill its obligations; and results of employee attitude or morale surveys.

All policies should be expressed in writing, and should be worded simply, clearly, and as fully as necessary to avoid ambiguity. Policies to be presented to non-managerial personnel can be distributed by any of several methods. Among the media we at International Harvester employ are printed booklets, letters mailed to employees' homes, letters distributed personally by foremen, posters on bulletin boards, and articles in the company magazines. Obviously, none of these more formal methods can eliminate the need for frequent personal contact of foremen with their supervisees.

Every foreman is vitally concerned with policy—personnel or otherwise. To his employees and his superiors, *he is the management*. This means, then, that he must not only know policy and the philosophy behind it, but he must also be able to apply that policy fairly and impartially. At International Harvester every member of the managerial personnel is supplied with concrete information on all policies. We release our policies in printed form suitable for filing in loose-leaf binders. Whenever a modification of any kind is developed, a new policy is issued for insertion in the binder and the policy it supersedes is destroyed. In instances where policies, such as those covering employee benefit plans, are covered in detail in booklet form, it has proved desirable to provide a summary of the principal features of such policies for the loose-leaf binder, with reference to the booklet in which more complete information can be found.

All new policies should be announced and carefully explained to the entire managerial organization before their general release. Not only the policy but also the reasoning behind its development should be discussed with personnel at all strata. In the case of major policies, at least, this information should be introduced by a high company or plant official in a personal address, recording, or letter.

Careful development and proper introduction of a policy alone will not assure its continued satisfactory application. Periodic follow-up is essential. This can be accomplished to a considerable extent through management training sessions, personal contact by foremen with employees, and attitude surveys.

Uniform application of policy is obviously essential to efficiency and morale, and effective application of policy presupposes full authority on the part of supervisors to interpret and apply

policies within their own spheres of authority. As long as a foreman adheres to the spirit rather than the mere letter of a statement of policy, he should be backed to the fullest by his superiors. We cannot place too much stress on the importance of, first, giving foremen of all ranks the most complete instruction possible in interpreting and applying policies and, second, supporting them without qualification whenever they are properly executing those policies.

Generally, it must be borne in mind that policies diminish in value if they are not kept up to date. All employees —managerial and rank-and-file—must be informed immediately of any new policies or changes in existing ones. If a loose-leaf policy manual is used, it must be kept current.

Finally, it is recommended that the industrial relations manager, with the assistance of the training director, periodically report to higher management on the policies they have reviewed with either the managerial organization or non-managerial employees. Reports should include statements on the employees' understanding and acceptance of these policies and summaries of the suggestions offered by personnel in both categories.

From an address by George Hodge before the Industrial Management Institute of the University of Wisconsin.

A Simple and Flexible Incentive Method

AN easily administered incentive plan, which requires a minimum of clerical work and is adjustable to process changes and methods improvement, is in successful operation at the plant of New Castle Products, Inc., New Castle, Ind.

On the basis of previous experience, the average percentage of labor to the sales dollar was first computed. Inasmuch as this figure is exceptionally high for the company's product, employees were to be given one-half of any savings realized. This percentage of direct and indirect labor per dollar of net sales is used as the base figure to determine all future increases or decreases. The total net sales for the month are multiplied by this base figure. If the result is larger than the total of direct and indirect labor cost, one-half the difference is paid to employees.

The savings are divided by the total number of all hours worked. These savings per hour, multiplied by hours worked by each employee, represent the amount to be paid to that worker.

Payment is made by separate checks on or before the fifteenth of each month to each employee who has worked 90 per cent of the total workdays during the preceding month and who is on the payroll on the last day of that month. Inclusion of this provision—which, incidentally, does not apply to workers on leave of absence—has materially reduced absenteeism.

The base figure is subject to revision upward or downward as changed conditions may justify. Should the net sales price per unit of the company's product be reduced, this percentage is to be increased. Should the net sales price be increased, as shown by price schedules, this is to be decreased. Adjustments upward are to be made when new work processes are brought into the plant— for example, if the plant should start to manufacture parts which it formerly "farmed out" to others. Adjustments of the base percentage downward are made when the company is able to reduce labor per unit by elimination of processes. Should the union not agree on any adjusted base figure, the determination is left to arbitration.

Vacation pay, inventory work, and the like, are not considered as a part of direct or indirect labor. All overtime work is considered as straight time in the determination of the per-hour saving. The premium for overtime, as provided for in federal regulations, is paid by the company, and the bonus figure is not penalized by this amount.

—A. O. Harding in *N.A.C.A. Bulletin* 8/1/47

Organizing a New Recreational Activity

TO companies interested in initiating an employee recreational activity, the pointers presented here may be of value.

A steering committee should be appointed to decide on date and meeting place for launching and pushing the activity. Logically, its members should be drawn from the group that seems enthusiastic about the plan. The first meeting of this committee to lay the foundation for the activity should consider:

Organization: purpose of club; discussion and agreement on objectives and values; survey of existing and needed facilities and equipment.

Finances: estimation of costs and probability of keeping within this budget.

Leadership: selection of officers and committee; discussion of plans for constitution and by-laws, and conditions of membership—if club is to be formally drawn up and kept on businesslike basis, though its atmosphere be informal.

Future Meetings: time, place and frequency of future meetings.

Publicity: personal contacts, house-organ write-ups, bulletin board posters, notices, P.A. system announcements.

Follow-ups: letters of thanks to give credit and recognition to those who helped build spirit and unity in the group.

Other points to be discussed, settled, and kept in mind:

What one person is to be responsible for the care and storage of equipment?

What about: practice time; company policies in regard to the activity; meetings on company time?

What assistance may be depended on from management?

Could a city-wide league or council be formed in this particular activity?

What safety factors must be taken into account?

How could this activity tie in with other activities—for example, in combination events?

Could movies, or talks by leading authorities in this or some related field, be effectively used as part of special planning events?

—*Idea Clinic* (Industrial Recreation Association)

Geographic Shifts in Unemployment Since 1940

TODAY the heaviest volume of unemployment in relation to the labor force is found in the West, whereas in 1940 it was found in the North. While the volume of unemployment in the South is considerably below the 1940 level, its relative position remains approximately the same.

With a national ratio of unemployment to the non-agricultural labor force of about 5 per cent, or approximately one-third of the 1940 average, significant geographic variations in the extent of unemployment continue despite the considerable migration in quest of employment during these seven years. Currently over half the labor force in 132 major employment areas studied is in areas of "moderate" unemployment, while 36 per cent is in areas of "light" unemployment. Areas with "heavy" unemployment account for 10 per cent of the labor force; those in the "very heavy" unemployment classification, for a little over 2 per cent.

Of the total labor force in the "very heavy" unemployment group, about 60 per cent is in the West—in sharp contrast to approximately 10 per cent in 1940. Moreover, the areas of "heavy" and "very heavy" unemployment in the West account for 61 per cent of the non-agricultural labor force in all areas of this region. This is in contrast to 3 per cent in the North and 14 per cent in the South. This heavy concentration of unemployment in the West is accounted for by the tremendous influx of war workers, all of whom could not be reabsorbed by peacetime industries and the thousands of veterans who have returned to these states since VJ-Day. Moreover, in-migration to these states continues high.

In contrast with the West—where unemployment, though less severe than before the war, is nonetheless "heavy"—areas in the North, with few exceptions, have relatively low unemployment. As contrasted with 1940, this region now has less than its proportionate share of its labor force in areas of heavy unemployment. The few areas of "heavy" and "very heavy" unemployment are located primarily in the Middle Atlantic states and account for 3 per cent of the labor force—in contrast to 12 per cent nationally, 61 per cent in the West, and 14 per cent in the South.

—*The Labor Market* (U. S. Department of Labor) 5/47

PRODUCTION MANAGEMENT . . .

They Earn What They Make—And Like It!

THE harmonious labor-management relationships that have prevailed in the non-unionized plants of Sandal-Craft, St. Louis footwear manufacturer, are traceable in no small part to the company's excess earnings or incentive pay plan, which guarantees extra pay in direct relation to extra production. Employees are solidly behind it because they know definitely (1) how much per unit is being paid to labor as a group; (2) that unit labor allowances are never changed as a result of any efficiency or short-cut developed by the workers; (3) that management is not in a position to profit on the labor account.

Each worker in the plan has an individually established base pay rate. This rate was set on the basis of the worker's efficiency—by a committee of five fellow workers. These base pay rates are lower than the rates paid for comparable jobs in other plants.

The shop committee which sets the base pay rates is elected, with each member serving 15 months. The elections are staggered so that one committee vacancy occurs every three months—and the rule is that no committee member may be elected for two successive terms.

Any worker who feels that his base pay rate is unfair has the right to ask for a review, but he is being judged by fellow workers, and not by management.

The premise upon which excess earnings are paid is that labor is entitled to receive as wages all the value that it creates. "They get what they earn," points out Francis M. Gilkerson, president of the company, "no more, but definitely no less."

To determine what a worker earns, the management first designs the item of manufacture to sell at a predetermined selling price. The design may incorporate many or few operations above the basic labor operations required to produce a simple sandal. The basic labor operations and the additional work are evaluated and a bill of labor is established for the item.

This sum is discussed with the shop committee representing the plant in which the item will be made. A unit labor allowance is established. Once established, this unit labor allowance is not altered. The workers in the plant get this sum regardless of how much they increase output. Their basic wage rate is guaranteed, and their maximum take-home pay is controlled only by the quantity they produce.

The method of applying the bonus to the individual's take-home is interesting, in that the bonus is a plant bonus, but the incentive is an individual one, based on the output of each worker in the operation on which he is engaged.

The mechanics are, first, to compute the total sum of the basic wages of the workers in the plant. This is done by multiplying the basic hourly rate of each worker by the number of hours worked. When these are totaled, the result is the basic wage for the week.

Then the number of pairs of sandals produced during the period is multi-

plied by the unit labor allowance, with a resultant gross being the amount available for distribution as wages.

The difference between this sum and the base pay for the group is considered "excess earnings," and these earnings are distributed to all the workers on a percentage basis.

As an illustration: If the plant produced 2,500 pairs of sandals on which the predetermined labor allowance was $1 a sandal, the earnings available for division as wages would be $2,500. If the base pay for all the employees was $1,600 for the week, the "excess earnings" would be $900.

Figured as a percentage, the "excess" would be 56.3 per cent, and this percentage increase would be applied to the hourly rate of each worker in the plant. An employee earning 50 cents an hour base rate would receive 50 cents plus 56.3 per cent, or 78.2 cents an hour. The worker with a base rate of $1 an hour would get $1.563.

If the workers step up their rate of production to 3,750 pairs of sandals a week, the amount available for distribution at the end of the week would be $3,750, which would boost the excess earnings to $2,150, or 134.3 per cent.

This in turn would mean that the employee earning 50 cents an hour base rate would get 50 cents plus 134.3 per cent, or $1.172 an hour, and the worker with a base rate of a dollar an hour would get $2.343 an hour.

The incentive system works up and down the line. Executives all get a base salary of $50 a week. This sounds like a penny ante approach to business, but it works out all right.

For each function an incentive based on production is provided. Each plant superintendent receives a specific amount based on production in his plant. The general superintendent gets a percentage increase based on the lumped total production of all eight plants. The sales executives receive percentages based on sales. At each level the company salaries compare favorably with the sums paid comparable executives in any other shoe concern in the country.

As far as profits are concerned, Gilkerson takes the same approach as he does to wages. Just as he seeks to establish a wage pattern which fully reflects worker effort, he believes that all profits are justly due the management.

The system is even applied to his office help—stenographers and typists. The top salary for office help is $40 a week, but during the busy season they all work extra hours and the take-home for a typist might range as high as $400 a month.

By A. N. Wecksler. *Mill & Factory,* August, 1947, p. 134:3.

AMA FALL PRODUCTION CONFERENCE

The Fall Production Conference of the American Management Association will be held on Monday and Tuesday, December 15 and 16, at the Hotel Pennsylvania, New York City.

Partnership Plan Pays Off

AUTO-SOLER, Chicago shoe machinery manufacturer, has a working partnership program that is increasing production with the incentive of greater profit for all workers, stockholders, and customers.

All employees who have worked continuously for a 12-month period automatically become partners. At present there are 105 partners among some 140 on the payroll. Collectively these partners are the employee-governing body and function through a five-man Board of Partners.

Original by-laws for the Board were created by the company to get the plan moving, but they carried the proviso that they were to be approved by the partners and could be amended in any way. Composition of the Board gives all departments representation.

This body, which is responsible to the partners it represents, functions on a consultative basis. So far this year it has presented recommendations on four major projects, all of which have been adopted—a profit-sharing plan, a stock-ownership plan for partners, a vacation plan, and an employees' manual. Items still slated for action include a pension plan, a plant newspaper, physical examinations, Christmas gifts, review of supervisory functions, job evaluation program, recreation, employee education, and a credit union.

One yardstick on the effectiveness of the partnership program is that average employee production has increased 271 per cent in five years. Production per worker, including salesmen, was $2,985 in 1941. In 1946 it rose to $8,605. This year it is expected to be even higher.

—*Factory Management and Maintenance* 7/47

Paperwork Farmed Out

A SMALL manufacturer who wants to set up a production-control procedure in his plant faces a big investment in machinery, staff, space. But without going to great expense he can now take advantage of proved business-control systems that govern inventory, purchasing, scheduling and assembly. A New York City service organization handles such work on a farmed-out basis.

The system is simple. From the manufacturer, the service firm culls confidential information on present status of stock parts for each product, ideal stock quantity, quantity on order, and similar data. It then sets up a control system, furnishing all the weekly production paperwork, filled out and ready for immediate use in the plant. This includes: purchasing requisitions, receiving reports, raw material requisitions, manufacturing orders, sub-assembly requisitions and manufacturing orders, and assembly requisitions and manufacturing orders. Also supplied regularly if desired are a status-of-inventory report, and an analysis of inventory. This furnishes top management with "high spots" of the inventory situation.

The service maintains liaison with the plant in order to obtain the necessary data.

—*Business Week* 8/9/47

THE PRIMARY JOY OF LIFE is acceptance, approval, the sense of appreciation and companionship of our human comrades. Many men do not understand that the need for fellowship is really as deep as the need for food, and so they go throughout life accepting many substitutes for genuine, warm, simple relatedness. The Don Juans eternally seeking some new object of passion, the men and women desperately trying to lose themselves in drink, promiscuity, sensuality—in all the excess of flesh and power—are, more often than we suspect, lonely children lost and naked in a world that has never woven a garment of love for them and that has relentlessly driven them down the empty corridors of the years, desolate and alone. Penetrate behind the mask of men of ruthlessness and of power, who seem to move from conquest to conquest, and it will often be seen that their soul is really an army in retreat, fleeing from loneliness to loneliness.

—JOSHUA LOTH LIEBMAN in *Peace of Mind*

A Fair Day's Pay for a Fair Day's Work

PROBABLY the most important problem facing management today is that of attaining a productive efficiency which will permit the payment of the high rates now received by American workmen and which will, at the same time, enable goods to be sold at prices which are not prohibitive for the average purchaser.

In the four decades preceding the war the average yearly rate of increase in output per man-hour in all manufacturing was somewhere between 3 to 3½ per cent. This permitted the substantial gain in real wages and in the standard of living of the American worker that took place in that period.

This steady upward trend of productivity was halted and reversed by World War II. The marked wartime decline in productivity was very much in evidence upon reconversion to peacetime products. Henry Ford testified about a year ago that on an over-all basis the Ford Motor Company was getting about 34 per cent less output per direct labor man-hour for comparable products and processes than it obtained in 1941. His survey showed the man-hours required to manufacture comparable vehicles increased from 87 to 128 between 1941 and 1945. General Motors estimates that the present worker productive effort is 21 per cent less than before the war.

In the face of reduced output per man-hour, what has happened to wages? Average weekly earnings in all branches of industry have risen sharply since 1939. In January, 1947, the average weekly earnings in soft-coal mining were 280 per cent of 1939 earnings (increased substantially by the recent agreement between U.M.W. and the coal operators); in the leather industry they were 250 per cent of those in 1939; paper products, approximately 200 per cent; and in all manufacturing, average weekly earnings had increased to about 170 per cent of 1939 levels, and these figures do not reflect any 1947 increases.

The significance of these increases during a period in which output per man-hour was stationary or declining lies in their impact on labor costs per unit of output. From 1939 through 1944, unit labor costs in peacetime products went up 42 per cent. The "across-the-board" increases that have been granted as national patterns for all industry during the past two years can only cause a further rise in unit labor costs.

Representing, as they do, such a large element of total production costs, these increased unit labor costs bleaken the prospects for an early price reduction. Unless productivity can be increased to its maximum rate—to counterbalance postwar labor increases and to make up for the war period—we face a probability of a dropping standard of living.

How is this to be done? The answer lies in one of the principles of scientific management—the principle of a fair day's work for a fair day's pay. But what is a fair day's work?

Frederick W. Taylor, who some years ago sought an answer to what constitutes a "fair day's work," said: "The principal object of management should be to secure the maximum prosperity for the employer coupled with the maximum prosperity for each employee." The heart of scientific management in the days of Taylor was the definition of a fair day's work with a system for giving a workman additional compensation for meeting or exceeding that "fair day's work." The

"bogie" was based on time study and represented a quantity of output that could readily be achieved by a skilled workman in a day.

During and immediately after the World War I era came the enthusiastic acceptance and installation of incentive plans based on time-study data. Piecework, Gantt task and bonus, premium plans, standard time—all were directed to give a workman additional compensation for turning out a fair day's work. They were, for the most part, simple, direct, and effective. The more a worker produced, the more he earned.

A parallel development was Henry Ford's production-line technique in 1913. The two systems of incentive work and production line combined in the early twenties to produce the most rapid productivity increase this country has ever experienced. In the period from 1919 to 1939, the increase in output per man-hour brought about a 40 per cent drop in unit labor costs, thus permitting an average increase in hourly earnings of over 25 per cent and reduced prices to consumers.

These figures demonstrate the success of these various plans for production control based on the principle of a fair day's work for a fair day's pay.

Several factors have led to a deterioration of incentive plans and productive effort. For example, the wartime labor shortage brought many inexperienced workers into industry. Normal output standards could not be applied to such workers. Also, some companies eased their standards to give higher earnings and attract additional workers. Some firms introduced plant-wide incentive plans, which had the failing that the individual worker was far removed from the "task" set and could not see the direct relationship between his output and his reward. Collective bargaining, too, played a part in the weakening of incentive systems by replacing the scientific approach to determining a fair day's work begun by Taylor with an approach based on compromise and determined by a trial of strength at the bargaining table.

What should be done about these wage incentive plans that have gone astray and gotten out of hand? The only solution seems to be mutually to agree to reconstitute the plans on a sound basis, using scientific methods and procedures of the past. Unless this is done, both management and workers are going to be hurt.

Some companies are now paying fixed hourly rates without an incentive plan or a measured work system. The answer to their problem is to set up standards of performance and adjust the hourly rates of individuals up or down in accordance with their output—in other words, measured daywork.

A sound measured daywork plan has three prerequisites: The first is a careful program of job evaluation by which the relative values of the various jobs are determined by comparing the skill, responsibility, effort, and working conditions inherent in them.

The second prerequisite is the careful establishment of measures of output for each operation—in other words, the definition of a fair day's work. These must be established by scientific methods, not by mutual consent or by collective bargaining.

The third prerequisite for such a plan is a provision for an employee's rate to be adjusted up or down ac-

cording to his output. For instance, the drill press operator who turns out the standard number of pieces over a period of time will receive the standard rate established by job evaluation; the operator who regularly produces an amount exceeding the standard by a certain percentage will be paid a premium rate; the operator who falls short of the standard will receive a rate lower than standard; and the operator who regularly fails to produce a certain minimum output will be removed.

There are a few plants, particularly in heavy industry, where the work is not sufficiently repetitive to justify any premium plan. This is particularly true in the case of a large shaft which may require two weeks to machine. In such plants it will be necessary to set up standards of allowed hours based on past experience and implement those standards with first-class management supervision. Mechanics who do not meet those standards are either dismissed or derated to a lower classification.

America has reached a point where everyone can be provided with a decent living. We have more than enough industrial and agricultural capacity to support a large increase in total production. The only limiting factor is the willingness of our labor force to produce. If we can meet the challenge of productivity, we can move on toward constantly rising living standards for everyone. Never before has a nation been so close to abolishing poverty and to meeting all the material demands of its citizens.

By RALPH KELLY. *Dun's Review,* September, 1947, p. 11:8.

Where Do Companies Break Even?

TO learn just how much the "break-even" points of companies have changed from their prewar values—that is, at what percentage of full production companies now start operating at a profit—*Mill & Factory* conducted a survey among all types and sizes of manufacturers. The survey shows:

1. Considering normal full production capacity of their companies as 100 per cent, 50 per cent of the respondents report they start showing a profit when operating at 50 to 75 per cent of full capacity. A break-even point of 75 to 100 per cent is reported by 46 per cent of the respondents.
2. In comparison with their prewar break-even points, 70 per cent of the respondents state their present figures are higher; 20 per cent, about the same; 10 per cent, lower.
3. Their average prewar break-even point was 50 to 75 per cent of normal full capacity, 58 per cent of the respondents state. Another group, 24 per cent, reports that the prewar figure was under 50 per cent of full capacity.
4. The present break-even point is dangerously high, according to 56 per cent of those replying. It is reported about right by 36 per cent.
5. Replies to the query, "What steps will you first take if your production falls below your break-even point consistently?", were as follows:

Reduce employment	68 per cent
Lower wages (if possible)	26 per cent
Shorten hours of work	65 per cent
Close down some departments or plants	35 per cent
Other	39 per cent

Note: **These percentage figures do not add to 100 per cent because many respondents checked two or more factors.**

MARKETING MANAGEMENT...

Buyers' Rebellion

MUCH of today's buyer resistance can be explained in nine little words: Prices are too steep and quality is too "cheesy." Admittedly, the situation from industry to industry is spotty, but this is the way the public feels *in general*. And many purchases are being deferred because Mr. and Mrs. America feel that way.

To get a quick and current picture of the reasons for buyer resistance—and a corollary picture of the effect on current sales—*Sales Management* in June sponsored a survey on people's reactions to present price levels, probing into the matter of recent purchases which buyers regard as unsatisfactory.

HOW PEOPLE FEEL ABOUT PRICES. Almost half the public believes prices will drop within the next 12 to 18 months. Tabulation of the replies to the question, "Do you think prices on most commodities will drop, remain the same, or increase during the next 12 to 18 months?", follows:

Drop	48.4 per cent
Remain the same	21.7
Increase	16.3
Don't know	13.6

WHAT PEOPLE ARE DOING ABOUT PRICES. The belief that prices will drop is accompanied by action. Those who tend to think prices will drop not only are holding off on purchases but, where possible, are spending money on repairs to make the commodity last longer, and are shopping around from store to store.

Replies to the query as to what those interviewed were doing about high prices indicated that:

43 per cent have postponed the purchase of one or more items.
36 per cent have spent money on repairs instead of replacement.
34 per cent shop around for the best price.
16 per cent buy less expensive merchandise as a temporary substitute.
14 per cent buy a substitute brand because of the price of the preferred brand.

It is impossible to convert this into any index figure, but the results certainly indicate that the trading level in the United States would be considerably higher if the public considered prices reasonable.

When those who indicated belief that lower prices were coming were asked what products they had postponed buying because of this, the replies were:

	Per Cent of 1,006 Respondents
Home appliances	31.9
Automobile	22.5
House, real estate	12.9
Furniture	9.3
Clothes	7.2
Home furnishings	6.2
Home installations, remodeling, refinishing	3.6
All other	3.1

Consider what this means in the way of expanding markets. *If* prices come down to what the consumer thinks reasonable, the average family would be buying an additional item. With almost half the families (40 per cent), this would be a major purchase involving over $1,000.

EXPERIENCE WITH OFF-QUALITY PRODUCTS. About 45 of every 100 families, on the average, have had a recent experience with an unsatisfactory product. Of all items named in this connection, the following percentages were obtained as unsatisfactory:

Clothing	44.2 per cent
Home appliances	15.2
Home furnishings	7.8
Furniture	7.8
Meat or other food	6.9
Hardware	5.1
Automobiles	3.8
Other automotive	2.3
Miscellaneous	6.9

REACTIONS TO OFF-QUALITY PRODUCTS. When people have purchased unsatisfactory items, they do something about it. Rather interesting is the fact that, in general, some 62 per cent take the easy path of attaching immediate blame on the retailer, while only 36 per cent place immediate blame on the manufacturer. Tabulated results of the question, "What have you done about the fact that it was unsatisfactory?", follow:

	Per Cent	
Refused to make further purchases at that store	15.0	
Complained to store	47.1	
Total mentions of store		62.1
Refused to buy brand again	32.1	
Complained to manufacturer	3.8	
Total manufacturer mentions		35.9
Other action	1.1	
No action	19.0	

Fully 38.9 per cent—an amazingly large proportion—of the people who complained to the store or to the manufacturer about a product believe that proper adjustment was not made. No public relations department could interpret this as a satisfactory figure.

EFFECT ON ATTITUDE TOWARD BRAND. Earlier it was reported that only 36 per cent seem to attach blame for unsatisfactory products on the manufacturer. This was tempered with the statement that it was easier to get in touch with the retailer than with the manufacturer. The fact is that the consumer who has had poor experience with an item may not get in touch with the manufacturer, but the manufacturer feels his ire for all that.

Some 55 per cent of such people, for instance, report that they will not buy the brand again. Some 67 per cent say they will not recommend the brand to their friends.

All this means that though few of these dissatisfied customers get in touch with the manufacturer, they will still have a tremendous bearing, both directly and indirectly, on his future brand sales.

This brings to mind the old merchandising advice: Don't sell merely for today; sell for tomorrow! Too many American business men seem to have forgotten that principle. They may have to relearn it the hard way.

Sales Management, August 1, 1947, p. 37:2.

Small Business Man Gets Better Break

UNCLE Sam is tossing more and larger orders to small business men—companies with 500 or fewer employees—than ever before. Figures recently totted up by the Commerce Department's Office of Small Business show that in fiscal 1947 the "little fellows" got more than 55 per cent of the 28,000 contract awards of the type they were capable of handling. If that percentage doesn't sound impressive in itself, officials says, compare it with the 1930's when the smaller companies were lucky to get 20 per cent to 25 per cent of these federal orders.

Dollar-wise the picture is also improving. Of a total value of $1,942 million

in federal contracts handed out in the fiscal year ended last June 30, small manufacturers and suppliers handled $777 million worth—an almost unheard-of invasion by the small fry of a field which in pre-war years was dominated by larger producers.

By and large, federal contracts are awarded to the firms or individuals whose bids are the lowest. The law requires that three bids be taken on all purchases; but the O.S.B. thinks things would be healthier if five or six bids were received on every contract. It has had to take considerable ribbing for pushing this policy; one wag accused the Commerce office of being responsible for West Coast ads seeking bids for the supplying of Atlantic mackerel.

The O.S.B. is also pushing a campaign for increased subcontracting of large awards, but up to now this project has enjoyed only partial success. While federal procurement agencies have gone along with the recommendation, they have not actually required the subcontracting practice. Many companies are acting on the advice on their own initiative, O.S.B. reports. General Electric Company, for example, asked to divide part of a large Army contract for electrical parts, gladly split the order with several smaller firms.

More significant for long-term results is the effort O.S.B. is making to place more orders in sections of the country where economic levels are low or where a segment of industry is endangered by a temporary business slump.

The Office of Small Business often tries to help little firms on private deals, when there are no immediate government contracts to offer.

Nation-wide procedure has just been set up by O.S.B., through which, it hopes, a business man will find it next to no trouble to line up a desired government contract. Here's how a manufacturer of pencil sharpeners—or any other commodity the government might want to buy—would go about looking for a federal order:

1. He'd inquire at the nearest of the 46 Commerce Department field offices as to which of the government agencies would use his type of product.

2. He'd get in touch with the proper agency or agencies and obtain and fill out the required application forms.

3. If the agency is currently buying his product, he'd be invited to bid. If not, his name would go on the "invitation to bid" list and when the time comes for the agency to buy, he'd be invited to compete for the contract.

—*The Wall Street Journal* 9/11/47

Executive and Staff Salaries in the Sales Department

THE earnings of sales executives have risen substantially during the past two years, according to a Dartnell study which reports the average income figure at $17,000, as compared to $10,000 in 1945. Top planning executives who are officers of their companies are receiving an average annual income in excess of $21,000.

Following are the average incomes of sales executives, broken down by title and function:

Vice president in charge of sales (executive with over-all planning responsibility): $21,235.
General Sales Manager (executive responsible for executing sales plans): $13,000.
Assistant Sales Manager (general assistant to sales manager): $8,471.
Regional Sales Manager (responsible for a major sales territory): $10,606.
District Sales Manager (responsible for a major section of a region): $8,750.
Branch Sales Manager (responsible for a major section of a district): $7,765.
Territorial Sales Manager (crew, route, or block supervisor, responsible for a group of territories): $5,538.
Product Sales Manager (responsible for sales of one or more specific items in one line): $8,832.
Market Research Director (studies potential, shifts in markets, territorial alignments, etc): $9,695.
Sales Analyst (studies company's sales records, salesmen's performance, etc.): $6,362.

The other titles, Export Sales Manager ($9,930), Sales Promotion Manager ($7,964), Advertising Manager ($8,071), Trade Relations Manager ($7,033) and Sales Training Director ($7,167), are self-explanatory.

A Survey of Salesmen's Working Conditions

TO determine current policies governing compensation, expense allowances, size of territory, benefits, training, and other aspects of salesmen's working conditions, the National Federation of Sales Executives recently circulated a questionnaire among its member groups. Here is a summary of the survey results based on reports from 20 clubs, representing the replies of approximately 1,500 leading sales managers who guide the work of perhaps 25,000 salesmen.

Compensation. Almost two-thirds of the sales managers (63 per cent) favored bonus plans as generally fairest to salesmen. Runner-up was the drawing account, cited by 15 per cent. Straight commission and straight salary each drew support from 11 per cent. Asked how they felt about their own plans, 28 per cent expressed dissatisfaction; 34 per cent said they are planning changes. Evidently some are not displeased with their present method of compensation but see possibilities for improvement, nevertheless.

Better than half the respondents—53 per cent—assume the right to change salesmen's compensation under certain conditions. Breakdown is as follows: on special deals, 29 per cent; on sales at cut prices, 22 per cent; on sales to a special class of prospect, 21 per cent; other reasons, 28 per cent. This is significant, depending upon whether salesmen are consulted prior to changes. One sales manager out of five does *not* consult his men before he changes the basis for compensation. The implications for morale are obvious. Again, 17 per cent admit placing a limit on salesmen's earnings and of these nearly half—45 per cent—do not tell their men.

Credit for Orders. Six per cent of the pollees admitted that "house" and "no commission" accounts are not always understood as such by members of their force. However, only 2 per cent fail to give credit to salesmen when their customers order independently, 13 per cent give partial credit, and the remainder full credit.

Territory. Though most business analysts agree that only a small fraction of sellers know their sales potentials by territory, 69 per cent of all respondents claim accurate knowledge of their territorial potentials. Almost as many (62 per cent) agreed that the good salesmen in poor territories are penalized, and more (72 per cent) admit that poor men in good territories get the breaks. Only 12 per cent cut territory before telling their men, however, and over half cut territory, when they do, to equalize potentials among the staff.

Working Conditions. Participation in the making of sales policy—a prime factor in salesman working conditions—is not allowed, according to 72 per cent of the managers polled. Ninety-two per cent report that salesmen are now given equal vacation time—though almost half (46 per cent) say it must be taken during the slack season—and almost a third (30 per cent) report that straight-commission men must forfeit normal earnings during vacations. Only 7 per cent grant overtime after a certain number of hours, despite the fact that almost half—46 per cent—of the respondents frequently hold staff meetings at night or on Saturdays, and some even schedule meetings for Sundays. Perhaps negating this, 96 per cent reported their sales forces contented with the amount

of time their work allows for home and family responsibilities.

Salesman's pet gripe according to most managers is too much paperwork. Competition came in second, while price of products and compensation tied for third place. Unsatisfactory territory, travel conditions and slow advancement ranked next, with product quality, expenses and supervision tailing the list.

Security. One-sixth of the sales managers reported their sales force covered by pension plans, one-fifth by retirement plans, one-fourth by sick benefits, and 11 per cent cited other benefits. These figures would place salesmen well ahead of their other business colleagues in security provisions. However, only 28 per cent of those questioned give credit for commissions accrued during a salesman's illness.

Expense Accounts. Three out of four managers allow identical expense accounts for the entire force. Where variations were reported, half of these are based on differences in territory, while a fifth reporting differences show them as the result of individual hiring arrangements. Others considered personality, work habits, differences in products handled, and other factors.

Seventy-four per cent believe their salesmen neither profit nor lose on their expense allowances, 13 per cent think the men spend more than they collect, and another 13 per cent think the men collect more than they spend. Similarly, 76 per cent consider an accurate tally of expenses fairest to the salesmen, while 14 per cent favor expenses covered by additional compensation and 9 per cent would prefer a flat payment on the basis of time spent.

Hiring. Although less than one out of five now use aptitude tests in selecting salesmen, only 6 per cent of the respondents actually don't believe in them. Ten per cent don't think they can be used as sales personnel yardsticks, and 43 per cent prefer man-to-man judgments. However, 22 per cent say they expect to use aptitude tests ultimately.

Training. A heartening 96 per cent of the respondents pay salesmen during the training period—80 per cent in full. However, where a rookie is accompanied by an instructor, the latter gets the commission in 87 per cent of the firms covered, while only 7 per cent divide the commission and 6 per cent award it to the trainee.

Employment. Over a third of the managers reporting (35 per cent) have signed agreements covering conditions of employment for sales personnel. Only 53 per cent claim strict observance of the agreement, although an additional 27 per cent claimed "informal" observance, and the remaining 20 per cent refer to them in case of disagreement. Over half the 65 per cent not offering signed contracts usually confirm verbal arrangements in writing.

These findings suggest the scope of the labor relations job that remains to be done by sales management. It is encouraging to note, however, that some progress in this direction has already been made. On the basis of its survey the National Federation of Sales Executives has outlined a code of basic employment standards for salesmen,* and is now campaigning for its adoption, not only by members, but by sales managers throughout the country.

From an address by Paul Heyneman before the 11th Annual Distribution Congress of the National Federation of Sales Executives.

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* Reported in THE MANAGEMENT REVIEW, August 1947.

A Removal of Boloney

AS the golden sellers' paradise tarnishes into a buyers' market, salesmen are being widely encouraged to take their feet off the desk and get out there and sell. As the *Wall Street Journal,* evidently somewhat out of breath, puts the matter: ". . . the tempo at which business managements are building up and dusting off sales forces is approximating frenzy."

In the dear, dead twenties the so-called art of salesmanship was glorified by so many highfalutin arch-psychologists that it began to seem a kind of ceremonious end in itself, having only the most gossamer relationship with the sale of any particular object. But the nation's salesmen were chastened by the Great Depression, and current tone is more likely to echo that of the vice president of one advertising agency: "Every good sales manager is good only because his story is honest. . . . The consumer is more value-conscious than the scorekeepers in financial departments think. . . . The time has come to squeeze the boloney out of salesmanship. . . ."

There is still, nevertheless, a good deal of weighty psychologizing about salesmanship. Among the most recent forms are aptitude tests, administered by organizations that specialize in personnel testing. Some are designed to reveal such delicate matters as emotional stability, self-sufficiency, objectivity, dominance, self-confidence, sociability, tact, humor, etc.

The marking of tests, of course, should take into account what the candidate is proposing to sell. As J. R. Hilgert, of Penn State, once explained: ". . . a specialty salesman, selling to consumers door to door such products as vacuum cleaners, flat silver, home insulation, and so on, needs to rate high in objective-mindedness and self-confidence but low in tact and diplomacy . . . average-to-low in speed of thought may be desirable; otherwise he would grow restless, question the company's 'canned' sales talk and policies. . . ."

Professor Hilgert's reservations about the value of aptitude-test rankings are shared by the business community generally. The professor quotes one unhappy client of a testing agency: The agency "reported that one of our very best salesmen was not very good and they did not recognize that he spoke Polish and some other languages, which gave him a great advantage in handling his trade. . . . They did, however, pick out one man as being an outstanding salesman, much to everybody's surprise. . . . Within three weeks after taking the test, this salesman died as a result of a tumor of his brain."

One inveterate tester—an authority in his field—freely acknowledges that extroversion, aggressiveness, dominance, and durable optimism are "characteristic of some of the worst salesmen I know." If some of the specialists in testing repudiate—as they do—the idea that there is any reliable single test for salesmen, so do many sales managers. According to the National Federation of Sales Executives, only 41 per cent of polled companies use or expect to use aptitude tests, while 10 per cent approve them in principle but not for their own business, 43 per cent prefer man-to-man judgments, and 6 per cent flatly disapprove the tests.

In practice, even the greatest believers in tests commonly use them only in connection with personal-history forms and interviews. As in any citizen, there is more in salesmen than is likely to be discovered by any one routine means.

Fortune, September, 1947, p. 124:1.

Pointers on Packaging

TO be a "shopper-stopper," a package should have:

Simple, clear identification of product and trademark. Especially important for low-income buyers who can't read.

Full—but not long-winded—data on contents, directions, various uses of product.

Colors that won't fade and thereby imply staleness. Strength of color depends on product and on color of competing packages. Red implies a bargain. If you export, remember white means death in China, green means bad luck in England.

Carefully selected type-faces or illustrations. The right one can give the impression of dignity, smartness, reliability, or luxury.

Legibility. Whether package is on shelf five feet away or on counter close up, copy should be easy to read fast.

A clean look. Fingerprint-proof surfaces.

Absolutely no clutter of either color or advertising copy.

If possible, a shape which will enhance size. If package is a box, the broader the front the better.

Relation to other products put out by the same company.

—*Kiplinger Magazine* 8/47

Union Helps Sell

THREATENED with layoffs, management at the Unit Drop Forge Division of Fuller Manufacturing Company, West Allis, Wis., warned its 300 shop employees that layoffs could be expected in two or three months. Reason: lack of business due to loss of lush wartime orders for Unit's forgings, shafts, gear blanks, and similar products.

This announcement produced unusual results. A committee headed by the president of the union, Local 407, UAW-CIO, at Unit asked management to let employees try their hands at bringing in business. The company agreed, announcing that it would pay the regular 5 per cent commission to the union for sales made by members.

The treatment worked. Unit recently could count orders from seven new customers running on its presses as a direct result of union sales' effort. The division's sales volume is 25 per cent over a year ago; productivity is up 15 per cent for the same period and is 5 per cent better than it has ever been. The dreaded layoff which started the whole thing failed to materialize.

Here's how the scheme works: At Local 407's behest, the UAW Chicago regional office circularized all locals in the area. As a result members working for other companies keep their eyes open for possible spots where Unit's forgings can be used more efficiently and economically than present materials. This results in a good crop of leads which are forwarded to the union. To protect Unit's sales force, all leads are checked with the sales manager. This cuts down Local 407's field considerably; few quantity users of castings are missing from salesmen's lists. But if the prospect has not been called upon by a company man, the union picks up the ball by sending out one of the half-dozen members who do its selling.

While union salesmen are on the road, Unit pays their salaries as if they were in the plant. Traveling expenses are paid by the union out of commissions accumulated in a separate fund in the union treasury. At the end of the year, net proceeds will be divided equally among union members.

—*Business Week* 8/23/47

FINANCIAL MANAGEMENT...

Women's Role in Corporate Ownership

LAST year there was a minor revolution in the ownership of the Standard Oil Company of Indiana. For the first time in the company's history the number of women stockholders passed the number of men, with 40,030 female shareholders compared with 38,490 male. Only six years earlier the number of male stockholders exceeded that of the women by more than 4,000. Practically unnoticed by most corporate managements, the same trend toward feminine ownership is progressing throughout industry. The admonition, "Never underestimate the power of a woman," is becoming a matter of thoughtful scrutiny for increasing numbers of business executives.

A survey of companies, ranging from large to small in a variety of businesses, shows how women have come to the fore as stockholders. An analysis by the Atchison, Topeka & Santa Fé Railway, for example, bears out the new importance women are assuming in business ownership. In 1940 Santa Fé had 52,628 shareholders, of whom 23,429 were female against 17,450 male. By 1945 there were 28,067 women and 19,051 men stockholders.

The belief that women are traditionally more cautious investors, choosing the more assured income of preferred stocks rather than riskier common stocks, is challenged by the ownership figures of International Harvester. Today Harvester has 13,805 feminine common shareholders, compared with 13,468 masculine owners; but the male holders of the company's preferred outnumber the women 5,289 to 4,569.

Sears, Roebuck & Company has 69,060 individual shareholders. The majority are women—36,251 as against 32,809 men. The women also individually hold more shares of Sears stock than men—5,439,503 shares against 5,295,803.

Even among the smaller concerns with fewer shareholders, women have become a force to reckon with. Clearing Machine Corporation has slightly more than 1,000 shareholders. Of these, 473 are women and only 385 men. The Northern Trust Company of Chicago, with only 569 shareholders, lists 242 women and 263 men as individual holders, along with 64 miscellaneous accounts. Other banks have similarly large percentages of feminine owners.

In the last 10 years women have assumed a predominant position, numerically, in the ownership of U. S. Steel. Feminine stockholders increased from 88,000 to 100,735, while masculine holders decreased from 102,000 to 92,470. Among preferred U. S. Steel holders the women outnumber the men almost two to one.

Many other industries in the last decade have felt the impact of the feminine invasion. American Tel & Tel has more than twice as many women as men stockholders today; General Motors has almost 200,000 women owners as against 165,000 men. Standard Oil of New Jersey, Chesapeake & Ohio RR, General Foods and RCA are other firms whose securities have been salted away by more women than men.

What is management doing about the boom in feminine ownership? For most firms the answer is simple: Nothing. Yet evidence that women's interest in the management of the companies in which they own shares has widened is the fact that Pan American World Airways receives more calls for financial information from women than from men. Gerity-Michigan Dye Casting notes: "From a study of the daily correspondence received from stockholders, we find that women are not only interested in company affairs, but they are alert; that probably is why they make good stockholders."

A few companies have taken some faltering steps toward shareholder relations directed specifically to women, and a handful have inaugurated carefully thought-out programs aimed at influencing feminine investors. Some firms like Borden and Swift, when including product information in annual reports, try to appeal particularly to women owners. Standard Oil of Indiana set a precedent last year by sending a leaflet with dividend checks addressed "For Women Only." Belden Manufacturing held the firm's 1942 and succeeding annual meetings in Chicago's Loop rather than at the company plant. The meetings are set at 11:30 in the morning in some hotel or club, since the company feels that women often go to the Loop for shopping and luncheon, and this meeting time fits in with their activities.

The fact remains, however, that specific management efforts aimed at feminine shareholders are a rarity. Here is an almost untapped reservoir of good will that business can obtain with only slight effort.

BY HERBERT FREDMAN. *Commerce*, August, 1947, p. 13:4.

Survey of Employee Benefit Programs

THE early part of 1947 saw nearly 1,250,000 workers covered by health-and-welfare clauses in union contracts—the result of intensive union activity in that direction in 1946. The principal industries now covered by such clauses include clothing, coal mining, and textiles. Other industries in which only a portion—but a substantial portion—of all workers are covered by such clauses include the building trades, retail and wholesale trade, the furniture industry, fur, leather, shipbuilding, paper, machinery, laundry, cleaning and dyeing, hotel, and street and electric railways.

The most prevalent type of plan revealed by a Dartnell survey of employee benefit programs in 123 companies is group life insurance coverage. Almost 80 per cent of the firms surveyed have made it possible for employees to have a minimum amount of insurance coverage under a group insurance plan.

The next largest group of companies having some type of employee benefit plan includes those having pension plans. More than 65 per cent of all reporting firms have set up some type of pension or retirement plan for employees. Of the group of companies which have no pension plan, more than 10 per cent indicated they were either contemplating such a plan or negotiations for setting up a pension plan were actually under way.

Over 60 per cent of the companies surveyed have a group hospital insurance plan to which the employee contributes. Of this group, however, only slightly more than 10 per cent include surgical benefits, the great majority of employees being covered only for hospitalization costs. In addition to hospitalization insurance, about 40 per cent of the companies covered report some type of sickness and accident plan to which employees contribute. These plans are, in many cases, an outgrowth of the old type of employee mutual benefit funds—the first efforts made years ago by companies to help their employees meet emergencies arising out of illness or accidents.

About 15 per cent of the respondents have also set up some type of profit-sharing plan for plant employees. In addition to this number, about 5 per cent have set up profit-sharing plans for their executives and officers only. In answer to inquiries about wage guarantees or wage stabilization plans, less than 5 per cent of the companies replying indicated that any efforts were being made to stabilize either employment or wages. Such plans as were set up vary from what may be called a "constant income plan" to a weekly guarantee plan. Only one company in the entire group guaranteed an annual wage based on a 40-hour week.

It is also interesting to note that only 10 per cent of all companies having some type of employee benefit program reported that health-benefit clauses have been made a part of the union contract.

As a rule, the minimum life policy provided by the companies contributing to this survey is $1,200, payable to a beneficiary named by the individual employee. This basic policy, furnished at no cost to the employee, is generally available to the average employee after six months' service with the company. An additional amount of insurance is available, however, under a plan whereby the individual employee contributes a specified amount toward the cost, the balance being paid by the company.

Besides providing its employees this type of life insurance protection and the usual group hospitalization plan which is available to all employees after six months' employment, The Coleman Company, Inc., Wichita, Kansas, has set up a health program that includes provision for free medical care, including surgical operations when required. This service is free to all employees (except part-time workers) after three months' employment. The company also shares the cost of medical care for employees' dependents, if members of the company's medical staff are used. Payment of sick benefits during periods of disability due to illness or nonoccupational accidents is also provided at company expense. This free medical care and sick-benefit program is not insured but is paid for directly by the company and administered through the company's own medical department.

A majority of the companies contributing to this report tell their employees about the insurance program by means of booklets, of pocket size and averaging around eight pages of text. A few run as large as from 40 to 50 pages, but this size booklet is rare and usually covers not only the group insurance program but also all the other employee benefits.

A check of all types of employee booklets issued by companies in various lines of business reveals the fact that the poorest are those explaining the company's group insurance program. Lacking in color and readability, these booklets are, for the most

part, composed of solid pages of type unrelieved by illustrations or touches of color. Thus, one of the best opportunities a company can have to sell employees on management's interest in their well-being and future security is being completely muffed. Here is an employee being given an insurance policy of $1,200 at no cost to himself, yet it is presented to him merely as an actuary's table—in cold, hard figures!

A few companies, however, have taken advantage of this opportunity to present an attractive picture of management to the employee. They have livened up their booklets with color, sketches, and photographs throughout the text, and have added color to what would otherwise be dull tables of figures. Among those companies which have prepared the best of the booklets in this group are the following: American Tobacco Company, Ethyl Corporation, United Air Lines, Inc., The Raybestos Division of Raybestos-Manhattan, Inc., The Perfect Circle Companies, Glenn L. Martin Company, the Bell System, The Lorain Coal and Dock Company, and the Economy Grocery Stores Corporation.

Some companies have found an inexpensive leaflet plus a letter to employees sufficient to do the job of selling the plan. If a leaflet of this type is to be used, colored paper stock will be found much better for the purpose than "slick" white stock. If the type is set in a harmonizing color, the leaflet will be lifted out of the "actuarial" class. And this is important, for figures and facts are but dull things to most of us; to the average employee, they have little or no interest.

When changes are made in an existing program, it may be necessary to issue a special bulletin to employees notifying them of such changes. If the program is already covered in an employee handbook, an attractive supplement may be released which can be inserted in the existing handbook.

From *Experience of 123 Companies With Employee Benefit Programs—Section One.* The Dartnell Corporation, Chicago, 1947. 40 pages.

Profit-Sharing in Great Britain

LESS than 2 per cent of the British working population is covered at present by profit-sharing plans. While the mortality rate of such plans in Britain is estimated to be approximately 30 per cent lower than in the United States, it has increased in recent years. Until 1929 the number of plans in existence exceeded the number abandoned, but within the next 10 years the total number of plans in existence had declined by about 20 per cent.

Of 402 plans recorded as abandoned, 208 attributed failure to outside causes, 103 to disinterest or dissatisfaction on the part of employees, and 46 to the substitution of increased wages, shorter hours, or other benefits.

—*Industry Illustrated* 12/46

• RESEARCH FINDINGS indicate that some 80 per cent of stockholders want information on company research activities included in annual reports; 88 per cent are interested in plans for plant expansion, 76 per cent in company products, 74 per cent in the tax situation, and more than 50 per cent in the companies' labor relations.

—WILLIAM B. MARSH in *Financial World* 10/8/47

INSURANCE...

Adequate Insurance Coverage At Proper Cost

ECONOMY and completely adequate coverage in an insurance program can be realized only after a careful survey of exposures to loss and a thorough analysis of the policies carried and coverages which may be needed. In the experiences of other companies presented here, you may find some ideas applicable to your own insurance program.

An up-to-date plant appraisal is, of course, desirable to assure adequate coverage. Unless you have continuation plant appraisal service and readjust your insurance every year, it can be very costly, even under a partial loss within your policy limits, if your policies carry an 80 per cent or other co-insurance clause.

A recent check of the insurable values of ten large plants belonging to one manufacturer disclosed $7,385,000 *underinsurance,* even though property and machinery record values had been rechecked periodically and percentage factors added to cover estimated increases in replacement cost. Their type of plant buildings at today's prices would cost from $4.60 to $5.63 per square foot to build. In two years, moulds had doubled in cost, and in a little over one year, certain feeder and other machinery costs had gone up 80 per cent.

If your property can qualify for the so-called "guaranteed or agreed amount clause" available from the stock insurance companies, or is insured with Factory Mutual Companies, which usually do not require a co-insurance clause, being temporarily insured for less than 80 per cent of *present* insurable values is not so serious as where the co-insurance clause applies. During this period of rising values, policies without co-insurance clauses are preferable.

Repairs and replacement insurance is now available but, when endorsed on plant fire policies, a 100 per cent co-insurance clause—which detracts considerably from the attractiveness of this coverage—applies to the entire policy, except for inventory.

Where fire insurance on finished stock is written with a selling price clause, losses are settled on the basis of net selling price rather than cost price. Occasionally values filed under monthly or quarterly reporting policies do not include the proper mark-up. This could lead to controversy in case of a loss and possibly a bill for premiums on the mark-up not reported since policy inception.

A recent analysis of a textile firm's large floater policy, covering piece goods, goods in process, and finished articles, disclosed that, in the monthly value reports to the insurance company, the ultimate net selling price was applied to all property at each contractor's location. A test at one location showed that instead of reporting $131,055 (3,957 dozen at the sales price of $33.13 per dozen) they should

have reported only $94,240. Setting up proper valuation formulae at each quarterly inventory date is expected to result in an annual premium saving of $16,000. Though reports and premium payments were based on final sales values, the policy clearly limited loss settlements on piece goods or articles in process to their value at the time of the loss.

Firms which insure with the Factory Mutual Companies may not be aware of the uptrend in the net cost of this insurance during the past five or six years. On a plant insured for $15,830,000, the Mutual deposit rate in 1940 was $1.05 and the over-all dividend at that time was 79.66 per cent. Today the dividend is 73.28 per cent, which means that the net cost of the insurance has increased 31.3 per cent in six years. This was despite the fact that the insured had spent $3,500,000 on improvements during the past three years, many of which made it a better risk than in 1940. To bring "the rate of cost" (net rate) back to the 1940 level necessitated a reduction in the deposit rate from $1.05 to 80 cents. Negotiations brought the rate down to 85 cents.

It might pay you to compare the present Mutual deposit rates with those charged three or six years ago and to request a reduction in rates, particularly if improvements have reduced the insurance loss hazards in the meantime.

Use and occupancy insurance is an important basic coverage where the amount to be carried depends on prospective earnings rather than present values. The amount of the policy is usually computed in advance of each three- or five-year renewal. If you have policies with amounts established prior to V-J Day and with one or more years to run, it may be advisable to recompute your required amount on the basis of earnings anticipated for the coming year, particularly if a change from war work and rising material and labor costs have substantially affected your profits.

In June, 1945, Fidelity insurance rates were cut 15 per cent and the maximum credit for no losses or good experience was increased from 25 per cent to 40 per cent. A 16⅔ per cent discount was also allowed on three-year policies, making the total available savings over 55 per cent. Was your bond cancelled and rewritten at that time?

In the case of group insurance, savings of from 1 to 2 per cent of the gross premium are frequently available if the so-called "short method of accounting" between the policyholder and the insurance company is adopted. This method saves detail and is less bother for the policyholder as well as for the insurance company.

By 1944 a large chain store company's group life policy on 1,200 employees totaled $8,000,000. In 1931 their insurance company had agreed to operate on a 10 per cent retention basis, which was unusually low at the time. The short method of accounting was suggested and adopted, and the insurance company reduced their retention to 8 per cent. The $1,350 resulting saving on the premium as it was at that time has increased to more than $4,000 by reason of the insurance having since been extended to cover thousands of additional employees.

The insurance company's over-all retention is lower and the policyholder's cost is thereby less where as

many of the group coverages carried as possible are combined with one company.

By insuring the accident and sickness, hospital and surgical and medical reimbursement benefits with the same company as had been carrying their group life insurance for 20 years, a manufacturer with 2,000 insured employees had the group life retention of 14 per cent reduced to 10½ per cent. On $200,000 of total standard premium, this saved the policyholder $7,000 a year. Most of this saving would have been lost had all or a large part of the new coverages been placed with some other insurance company.

From an address by Herbert L. Jamison before the Controllers Institute.

Discovering the Accident-Prone Employee

PRIOR to the establishment of any plant safety program designed to understand, predict, and control accidents, the following important facts must be determined:

1. What kind or kinds of accidents and accidental injuries have taken place in the plant and how many of like kind were there in a given period of exposure?

2. How many of these accidents were primarily caused by unsafe acts of persons as opposed to those caused by unsafe conditions of the plant?

You may have perfect plant, equipment, and materials in terms of layout, design, and efficient operation, but if you have accident-prone workers on the job you will in all probability continue to sustain accidents.

What does it mean to say that an individual is accident-prone? We cannot term an employee accident-prone merely because he has had a number of accidents on the job, for all too often accidents arise from improper work situations, incomplete or incorrect job instruction, and haphazard, inefficient, and fatigue-ridden job methods. An individual is accident-prone, not because he has accidents but because he has an accident experience which significantly exceeds that of the group performing under similar standards, conditions of risk, and exposure. The problem of accident-proneness, therefore, rests not with the work, but with the worker.

When one person has more accidents than others under standardized conditions of risk and exposure, it is because he commits more unsafe acts than do the others. But how can the accident-prone employee be identified?

An approximation of the measure of accident-proneness can be determined roughly by plotting the accident rate, showing the individuals involved, for any given period of exposure. Let us suppose this procedure reveals that 15 per cent of the employees were involved in 65 per cent of the accidents. If we find further that in every individual case of the 15 per cent standard work situations, standard job instruction, and standard job methods prevailed for the entire working force under scrutiny, we may reasonably conclude that the individuals of this 15 per cent are accident-prone.

Once we have discovered the accident-prone, it remains for us to determine corrective action. In other words, to determine that 10 per cent of the plant personnel are demonstrably neurotic will be of small value if we have no constructive procedure, professional personnel, or practical methods of dealing with these neuroses. This brings us to the problem of the correction and control of human behavior.

If we are to attack the causes of unsafe human behavior, we must develop shop leadership and managements capable of influencing the sentiments and attitudes of workers to a degree that will foster safe and rational behavior. In other words, Mr. Plant Manager and Mr. Safety Man, take a long and steady look at your supervisors. If they are not leaders of men, it is going to cost you money in loss of production, loss of money, and loss of face. And the supervisor of today has no small task in this realistic age with its "loss of a sense of dedication to the job." Today we must not only make plant conditions safe; we have to learn to make the work worth while.

There is abundant evidence that if workers are properly selected for jobs that are fairly well described and standardized in terms of physical factors, environmental factors, and personal requirements, much of what appeared to be "accident-proneness" will vanish. Let us be sure that Joe Shopman can see on jobs requiring 20/20 vision and normal color perception, and let us be sure that Joe can do, or is instructed in, the many other things the job requires. There is nothing more dangerous than the uninstructed man on the wrong job. Add to this several unsafe personal factors and you do not have an accident-prone employee—you have a dangerous man.

Management might find it profitable to measure its present safety program against the following brief check list:

1. Are our jobs standardized in terms of selection and placement in terms of job instruction, and in terms of manufacturing methods? Do we take Joe Shopman's measure periodically and in all significant ways?

2. Do we know how many accidents are principally the result of unsafe acts, as opposed to those principally the result of unsafe conditions in our plants? Are the shops and jobs, in themselves, in other words, reasonably safe?

3. Do we know whether or not a small percentage of the workers is involved in a large percentage of the accidents?

4. Do we have an enlightened safety policy, backed in action by top management, that gets to Joe Shopman through the first-line supervisor—a safety policy built upon industrial leadership educated and skilled in human relations, job methods, and job instruction?

If the answers to these questions are not favorable, searching for the accident-prone will be a waste of time and money.

From an address by William H. Hollis before the Seventeenth Annual Safety Convention of the Greater New York Safety Council, New York, 1947.

Survey of Books for Executives

ORGANIZATION OF INDUSTRY. By Alvin Brown. Prentice-Hall, Inc., New York, 1947. 370 pages. $5.35.

*Reviewed by Ewing W. Reilley**

"Organization is the means to effective concerted human endeavor." This is the keynote of Alvin Brown's recent book, in which he specifically applies to industrial enterprises the concepts described in his earlier work, *Organization: A Formulation of Principle.*

The author, a vice president of Johns-Manville Corporation, speaks with the authority of practical experience, and his two works establish him as a deep-thinking analyst of organization problems.

Particularly noteworthy are Mr. Brown's description of the process of delegation, his examination of the various types of relationships between superiors and subordinates, and his emphasis on the need for constant specialized attention to the organization phase of administration.

The author has taken great care to ensure full and precise understanding of his concepts. The book is more meticulously spelled out and illustrated than any other work on the subject with which this reviewer is familiar. It is rich in excellent diagrams with simple captions, highlighting key points. While Mr. Brown does employ many words not found in the ordinary business vocabulary, these—and other terms which have more common usage—are carefully defined.

Beginning with a list of "basic principles of organization," the book follows with a discussion of the purpose, need, and scope of organization. The author refers to the principles of organization as a *science* and their practical application as an *art.* Throughout the text he illustrates the application of these principles by citing as examples hypothetical industrial enterprises of various sizes and degrees of complexity.

The author points out that, as an enterprise expands, responsibilities must be partitioned, delegated, and redelegated. Delegation of responsibility "can be well done only by analysis of the whole task of administration as a preliminary to organization." And "the definition [of responsibilities] must be clear so that the member may know what his job is. It must be precise so that he may know the limit to his job. . . . Only with such certainty of understanding can administration expect to be certain."

In discussing the human element, Mr. Brown says "We shall accept neither of two extremes, one of which would urge organization without regard to individuals, and the other employment of individuals without regard to organization," but "organization should determine the selection of personnel, rather than personnel the nature of organization."

The author then goes on to point out that the interdependencies which exist in any large organization form a maze of relationships that create major problems of coordination. He observes that "more of the ills of administration come from defects in observation of relationships than from defects in responsibilities." Coordination is obtained in two ways: (1) by the superior's enforcement of the responsibility he delegates; and (2) through what Mr. Brown calls self-coordination by the subordinate.

He discusses in considerable detail what he terms "modes of organization," which are defined as "the several ways in which responsibility may be differentiated in this nature as between deputies." These "modes" are dictated by the size and complexity of the enterprise.

Basic mode is simple grouping of the elements of administration—"pure multiplication of effort without difference in extent or degree of responsibility."

The next higher *mode* is "secondary delegation," which is described as a partitioning of areas of administration within each major responsibility—for example, subdivision of the marketing function into selling, pricing, advertising, and warehousing.

A third *mode* is concerned with auxiliary responsibility, such as that of law, public relations, or employee training—each of which contributes *indirectly* to accomplishing the purpose of enterprise.

"Phasic responsibility" is another *mode.* It is defined as "planning" and "seeing," which are separate from the responsibility for the related "doing." "Planning" and "seeing" are those phases which, respectively, determine the manner of perform-

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* Partner, McKinsey & Company, New York, N. Y.

ance and verify its proper execution. This concept appears to be quite similar to what other writers have called "functional" responsibility and authority.

The final *mode* discussed is *multiple organization,* which develops when an enterprise has become so large, diverse and complicated that it is necessary to partition it into a number of constituent enterprises related organizationally by their obligation to a common superior. This type of division into a number of responsible units "restores simplicity of structure" and "releases new energy . . . new facility for decision and action. . . ."

The author urges adoption of a clear-cut scheme of organizational titles, such as "division," "department," "section," "unit." The structure of the organization should also be clearly recorded in the form of well-constructed organization charts and position descriptions.

In closing, Mr. Brown re-emphasizes the theme stressed throughout — *organization must be a continuing concern to administration* because the requirements of administration change continually and the organization must be adjusted to reflect these changes. Also *organization is an art and, as such, is never perfect.* The organizer must strive continually to improve application of organizational principles to administrative problems. To accomplish this objective, the author—no doubt speaking from his experience as a practicing executive—advocates that provision be made within an enterprise for a specialist in organization.

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The reviewer is impressed by Mr. Brown's thorough analysis of organizational principles, and by the carefully detailed presentation of his concepts. But in all fields dealing with human behavior, interpretation and emphasis differ according to individual experience and viewpoints. It may therefore be of interest to note some aspects in which the writer is at variance with the thinking of others in the field of organization and management.

It might have been well for the author to orient the reader more explicitly as to the place of organization in management. It is not "the be-all and the end-all here," but an essential framework that facilitates the operation of management.

In this work Mr. Brown deals only with "original organization." But frequently recognition of the need for organization planning comes only after an enterprise has been functioning for some time and after sound organizational principles have been distorted in practice. It would have been helpful if he had carried the application of his principles a step further to include corrective measures. But perhaps this may be forthcoming in a later work.

So thorough a delineation of organizational principles and applications should point out the benefits of participation by all executives in organizational planning. In this reviewer's experience such full participation is most important.

The reviewer finds himself in disagreement with the author's repudiation of concepts others have found useful and terms which have common acceptance and meaning. For example, "To understand what cooperation asks is to understand its futility." And "for an understanding of organization, groups need to be put in their place. When all is said that can be said, that place is simple. An organizational group is two or more members of an enterprise charged to do what one could do."

Also, the author implies that the term "functional" should not be employed. Is his term "phasic" more meaningful to the average business man? Is it less subject to abuse in practice? Certainly there can be no question of the author's right to use his own terminology, but it *is* questionable whether he is justified in taking a strong position against the use of terminology differing from his.

This book provides valuable insight into the reasoning of a successful, practicing top executive. It will challenge and stimulate the thinking of anyone interested in the field.

THE CHALLENGE OF INDUSTRIAL RELATIONS. By Sumner H. Slichter. Cornell University Press, Ithaca, N. Y., 1947. 196 pages, $2.50.

*Reviewed by Edwin E. Witte**

In this little book, Sumner Slichter summarizes his thinking on the role of trade unions in the economy of the United States. High points in his views are summarized in the following paragraphs.

While the weak unions of the pre-New Deal period were "simply organizations which put workers in a moderately better bargaining position," the much more numerous and larger unions of today are the "seats of the greatest private economic power in the community. Their policies

* Chairman, Department of Economics, University of Wisconsin.

from now on will be a major determinant of the prosperity of the country." They can make "tremendous contributions . . . to national prosperity and industrial democracy," but if their policies are "narrow, uninformed and shortsighted . . . they will be as great a problem for the community as was the parochialism of the towns and small principalities in the later Middle Ages."

"Collective bargaining in general has done a good job in bringing about a better balance in the consideration given the interests of consumers and the interests of employees in the process of production." It "has stimulated more alert and dynamic management and better managerial practices more frequently than it has hampered management and interfered unduly with managerial discretion." Still to be realized, however, are "the most important potentialities of collective bargaining for business management," which lie in "better communication between employees and management and better understanding of each other's problems."

Union wage policies in the past have had but a minor effect upon total production. The powerful unions of today (and the author expects their membership to increase further), however, are likely to have a detrimental effect. This will result because unions tend to raise wages faster than output per man-hour increases. The remedies he advocates are "an informed public opinion" and "the development of an internal organization capable of representing the interests of labor as a whole." If these remedies are not promptly effective, government intervention is inevitable.

Without qualifications, the author advocates legislation to prevent the most outrageous of the anti-social policies and practices of a minority of the unions in what are generally regarded as their internal affairs. He would also outlaw strikes in a few industries in which the need of the public for continuous service is so imperative that interruptions are intolerable. As compensation, the workers should be guaranteed better conditions than exist in other industries. But these are exceptions to the general policy advocated by Slichter. In the main, he would have the unions set their own house in order, and he favors less rather than more government intervention in labor disputes other than in public utilities. He looks to the government only to prevent extreme abuses, not for the development of policies which will make the unions give first place to the interests of the community. These can be hoped for only if there is a shift in the main seat of power within the union movement from the international unions to the federations. Employers can help by adopting policies toward unions which seek to build up good will and cooperation.

This is a program very different from that incorporated in the Taft-Hartley Act, though supporters of this legislation will find in this book a good deal they can cite. It is a program with which the reviewer is not in entire agreement. But it merits attention because it is presented by one of the most eminent of academic economists, who, moreover, has a wealth of practical knowledge about the actual working out of labor relations policies. As always, Slichter makes his readers think, in addition to giving them much useful information. This book is a "must" for all serious students of the policies which should be pursued toward trade unions.

Management Functions Under Collective Bargaining. By Ludwig Teller. Baker, Voorhis & Co., Inc., New York, 1947. 468 pages. $7.50.

*Reviewed by Austin M. Fisher**

Mr. Teller's latest book should be in every working labor-relations library. Like its predecessors, it is valuable chiefly as a reference source. This time Mr. Teller has charted many of the currents of thought which have contributed to the impact of collective bargaining upon industrial management. Along with an undeniable gift for synthesis, Mr. Teller combines a capacity for encyclopedic research.

In the first portion of the book, he has come remarkably close to a restatement of modern labor jurisprudence on the subject of management's rights, notwithstanding the fragmentary nature of the case material.

Unfortunately Mr. Teller has beclouded some first-rate scholarship with some second-rate theorizing about the nature of management's functions and how they should be redefined. On this point, Mr. Teller contends that "It is impossible to exclude any definable area of management's functions from collective bargaining." Hence, if the allocation of management functions in private enterprise cannot be settled through bargaining, the author feels the only alternative is the building up of a labor jurispru-

* Labor Relations and Public Service Consultant, New York.

dence through labor arbitration. Once the allocation is completed, Mr. Teller believes, the only proper limitations on management's exercise of its functions are those arising out of questions of bad faith or breach of contract. Few management representatives will agree with Mr. Teller's major thesis, which leads irresistibly to the conclusion that a statute intended to encourage collective bargaining in reality was intended to revolutionize the concept of management's exclusive responsibility to stockholders.

In the latter portion of the book, the author outlines his views with respect to necessary legislative modifications of the labor relations segment of our economy. Much of this part of the book was apparently written before the passage of the Taft-Hartley Bill and is, therefore, dated, though many of Mr. Teller's original views remain provocative and stimulating.

Democracy and Industry. By Constance Reaveley and John Winnington. Chatto and Windus, London, 1947. 165 pages. *7s. 6d.*

*Reviewed by Irving Knickerbocker**

Does the success of a political democracy depend on the characteristics of its citizens? Do the conditions in which a man spends his working life influence his character?

If the reader answers affirmatively, as do the authors of this work, then the following question should interest him and so should the book:

Do the conditions in which men work tend to encourage or discourage the development of those characteristics which are essential in the citizens of a successful democracy?

"Political democracy makes heavy demands upon individual character. Democracy is an attempt to provide a political structure which will protect the freedom of the individual in carrying out his own purposes, and it rests on the capacity of free individuals to co-operate voluntarily in corporate purposes. When there is no scope for individual purpose there is no freedom as democracy understands freedom; real freedom includes freedom to act. Purpose is personality in action, it is the mainspring of a free man's life. Without freedom of purposive action, a man may develop certain qualities, of submissiveness, patience, diligence; but if he simply does what he is compelled to do, by habit or coercion, without thought and without initiative, he loses the conception of himself as a creative person with a responsibility to use his mind and exercise persistence. If his natural purposiveness is continually frustrated, he will steadily become less and not more of a man. Then democracy itself will falter and lose direction; for democracy depends upon the support and pressure of public opinion and public feeling, and these in turn rest on the purposes of the people. . . . It is the thesis of this book that nothing has more powerful effect upon character than the kind of work men have to do; the qualities that are constantly demanded by daily work are bound to be developed to the best of our capacity, those that are useless on the job that occupies the major part of our time tend to atrophy, unless we have ample resources for leisure. The qualities of maturity in judgment and responsibility, of sympathy and balance, of drive and tenacity of purpose, are strongly developed in some kinds of work and not in others. . . . We propose to ask whether there is sufficient demand upon a man's capacity to form reasonable purposes and carry them through to bring him to personal maturity and good citizenship."

The description given of conditions in English competitive industry will probably surprise many readers. We tend in this country to think of England as the place in which trade unionism has reached maturity. It seems strange to us to discover that the union or the shop steward seldom takes any active part in protecting or helping the individual worker in his relations with management. The rather tyrannical methods, the prevalence of injustices, the intense and ruthless competitive atmosphere in management, the apathetic, resigned but smoldering attitude of labor, all make up a familiar picture, but one which we do not associate with enlightenment.

The authors find: (1) the effects of unemployment frustrating the purposes of men and creating attitudes of insecurity and defeat; (2) the effects of frequent unwarranted discharge creating attitudes of fear, suspicion, insecurity, and general helplessness; (3) the effects of promotion dependent upon favor or clever manipulation rather than ability deadening ambition and creating distrust of others; (4) the effects of the discouragement of all suggestions from below, and refusal to permit employee participation in any sense, destroying initiative and purposiveness; (5) the effects of monotonous and repetitious machine-tending destroying enterprise and responsibility; (6)

* Industrial Relations Section, Massachusetts Institute of Technology.

the effects of the intense competitive atmosphere breeding distrust and fear among both members of management and the workers; (7) the effect of suspicion, distrust, and fear eliminating the possibility of labor-management cooperation; (8) the effect of a generally unwholesome industrial environment making frustration and grievances the greatest common bond among workers.

The conclusions of the authors are that conditions in England may encourage in the worker "doggedness—doggedness against disappointment, against illness, against boredom and insult . . . but he does not grow in judgment or courageous enterprise. He does not acquire the self-confidence which is the fruit of responsible activity. He is learning all the time to reduce his demands, to let his mind lie fallow, to regard himself as a person not responsible for any kind of decision, a person whose capacity for reflection and purposive thinking is no use to anyone. He is becoming less and not more of a man."

Thus do the authors state the case for England and its competitive industries. The description of conditions there may inspire in the American reader an "holier than thou" attitude. This feeling, however understandable, should not blind the reader to the importance of asking, of our own industrial scene: Do the conditions in which men work tend to encourage or discourage the development of those characteristics which are essential in the citizens of a successful democracy?

Survey of Labor Economics. By Florence Peterson. Harper & Brothers, New York, 1947. 843 pages. $4.00.

*Reviewed by George Filipetti**

This volume, by an economist of the U. S. Bureau of Labor Statistics, was written "to provide the basic factual data . . . as well as a knowledge of the major theories which seek to explain the causes and results of economic phenomena relating to labor." The approach is described as one of a special field of economics.

In general the book covers the subject matter usually found in texts on labor problems. It is divided into four major parts. Part I, Employment and Unemployment, covers such topics as theories of population, the theories of unemployment, and the methods of unemployment relief. Consideration is given to the various types of employment and the conditions found in the several classes of industries. Employment, living conditions, and the characteristics of employment in these classifications are developed to show the complexity of the labor problem. One chapter discusses the importance of labor productivity to labor and to the general welfare, technological improvements being considered both as social assets and as causes of unemployment. The term "labor productivity" stands out as a more or less misleading term, since the increased production that has characterized our industrial progress could quite as well be termed engineering productivity, capital productivity, or managerial productivity.

Part II consists of approximately 250 pages dealing with the subject of wages and hours. Beginning with a discussion of wage theories and of the nature of wages from the viewpoints of the wage earner and of the employer, this section describes in succeeding chapters the approaches of organized labor and management to practical wage systems and other financial supplements, and discusses the nature of government regulation of hours and wages.

Part III, Labor Unions and Labor-Management Relations, traces the growth of the American labor movement, bringing the story to the immediate post-war years—1945-6. Little is said of labor practices that restrict production; of political labor leadership that is anti-social; of management-labor collusion; of the need of social-mindedness in labor leadership as well as in managerial leadership. Granting the need for and the desirability of labor organization both from the social and individual viewpoint, the various parts of the picture need to be fitted into their proper places. It would have been helpful to students of labor economics to have had a more detailed presentation of the labor-management committees that were promoted during the war period; that is, an analysis of the successes and failures; the areas of agreement and disagreement; the impact upon productivity. More could have been included in the discussion of negotiation and collective bargaining, particularly the matter of getting away from the "either-or-ness" attitude in disputes and the substitution of the "integrative" process so ably discussed by Miss Follet. It may be, however, that the author felt that such expansion of subject matter had no place in a *survey*.

Part IV, Social Security, covers the usual topics of old age insurance, work-

* University of Minnesota.

men's compensation, unemployment and health and disability insurance. This is the shortest section of the book, consisting of 122 pages.

Survey of Labor Economics is mainly "organized labor" economics. Since approximately only 14 million of a total working force of approximately 60 million are in this group, much remains to be written about today's unorganized labor economics.

This text will serve as a good introduction to the study of labor organization and labor activities. It is well written. The treatment is balanced, and the materials have been brought up to date. Unfortunately the pros and cons of the Taft-Hartley Law and the events leading to its passage are not covered.

BRIEFER BOOK NOTES

[Please order books directly from publishers]

FACTORY PLANNING AND LAYOUT. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1947. 36 pages. (Issued to Metropolitan Group policyholders; limited supply available to fill requests of other executives.) The suggestions given here for improving operating efficiency and working conditions can be applied in studying rearrangements of existing layouts or planning the layout of a new factory. Among the subjects covered are: the factors affecting factory planning and layout; the data needed in planning; space requirements; allocation of areas; building types; location; building facilities required; and the moving of machinery and equipment.

WHEN YOU GROW OLDER. *Public Affairs Pamphlet No. 131.* By George Lawton and Maxwell S. Stewart. Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y. 32 pages. 20 cents. This intelligent analysis of the psychological and physical problems of old age is noteworthy for its practical sections on planning financial and living arrangements and developing constructive avocations. Recommended reading for those concerned with the problem of the older worker, as well as for those who are themselves approaching retirement age.

THE CONDITIONS OF INDUSTRIAL PROGRESS. Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, 1947. 80 pages. $1.00. Addresses delivered at the 25th anniversary celebration of the Industrial Research Department. Includes the following papers: The Conditions of Industrial Progress, by Sir Henry Clay; The Relation of Wages to Progress, by J. M. Clark; Wages and Industrial Progress, by George W. Taylor; The Role of Research in Economic Progress, by Wesley C. Mitchell; and Some Aspects of Organization Relevant to Industrial Research, by Chester I. Barnard.

WAGE DETERMINATION AND THE ECONOMICS OF LIBERALISM: *Proceedings of the First 1947 Economic Institute.* Chamber of Commerce of the United States, Washington 6, D. C., 1947. 104 pages. $1.00. Analyses of the current socio-economic scene, with special emphasis on problems of wage determination. Authors include Felix Morley, Jacob Viner, John T. Dunlop, Fritz Machlup, E. Wight Bakke, and Leo Wolman.

THE NEW IDEA BOOK FOR FOOD MERCHANTS. Edited by Ralph F. Linder. *The Progressive Grocer,* 161 Sixth Avenue, New York, N. Y. Second edition, 1946. 119 pages. $3.00. This reference book of sales-making ideas contains many helpful pointers on methods of food salesmanship, effective display and stock arrangement, inventorying, pricing, credits and collections, choice of locations, and advertising and sign copy.

ENGINEERING ORGANIZATION AND METHODS. By James E. Thompson. McGraw-Hill Book Company, New York, 1947. 337 pages. $4.00. Describes tested techniques for speeding up production and reducing costs in the product-design and engineering departments, and offers a detailed plan for their organization, operation, and control. Discusses the orderly preparation, processing, recording, and release of engineering information, and outlines the functions of supporting departments.

MANUAL OF JOB DESCRIPTIONS IN THE COTTON TEXTILE INDUSTRY. Industrial Welfare Division, Department of Labour and National Service, Nicholas Bldg., 37 Swanston St., Melbourne, Australia, 1946. 90 pages. Based on actual studies of processes and conditions of work in several Australian cotton textile mills, this manual contains separate, detailed descriptions of the various jobs connected with the spinning, weaving, and finishing of cotton textiles. Each description is arranged under the same group of headings—summary of duties, work performed, special requirements of job, machines, tools and materials used or handled, qualifications for employment, working conditions, nature of work, training, and relations to other jobs.

HEALTH IN INDUSTRY. *Bulletin No. 8,* Industrial Hygiene Foundation, 4400 Fifth Avenue, Pittsburgh 13, Pa., 1946. 116 pages. Proceedings of the Eleventh Annual Meeting of the Industrial Hygiene Foundation of America, Inc. Industrial physicians and hygienists discuss trends in industrial health administrative practices, prevention and treatment of certain occupational diseases, developments in industrial health research, and related subjects.

REPORT ON DEFECTIVE COLOUR VISION IN INDUSTRY. By a Committee of The Colour Group of The Physical Society, 1 Lowther Gardens, Prince Consort Road, London, S. W. 7, England, 1946. 52 pages. *3s. 6d.* Presents the results of an investigation to determine the types of work in which job performance is affected by color blindness, and to describe and evaluate the various tests of color vision currently in use.

INDUSTRIAL TRADING AREA MAP. Hagstrom Company, 20 Vesey Street, New York, N. Y., 1947. 64" x 44". $12.50. This five-color map provides in visual form a factual measure of all major and minor industrial markets and buying centers of the United States. The 96 major industrial trading areas are identified by boundaries according to local buying and trading practices. Within each area the key industrial city is identified, as well as the county or counties which represent 75 per cent or more of the potential of each trading area. Ranks the leading industrial areas, indicating the percentage potential of each area in relation to the national total, plus the percentage evaluation of every county in the United States. Included with every map is a 96-page Market Index book, containing statistics for each industrial trading area, plus a complete population index.

AMERICAN BUSINESS DIRECTORIES. Compiled by Marjorie V. Davis. U. S. Department of Commerce, 1947. Second edition. Available from U. S. Government Printing Office, Washington 25, D. C. 198 pages. 65 cents. This roster of directories is designed to help business men locate sources of supply and lists of prospective customers for their goods and services. The purchasing agent and the sales manager, the wholesaler and the retailer, the advertising executive and the processor—all will find this roster a useful tool in their analysis of the business market.

MEASUREMENT OF CONSUMER INTEREST. Edited by C. West Churchman, *et al.* University of Pennsylvania Press, Philadelphia, Pa., 1947. 214 pages. $3.50. These proceedings of a conference held at the University of Pennsylvania in the spring of 1946 contain discussions on: the grading of commercial products; consumer polling; the validity of questionnaire replies; choice of representative test samples; etc. Among the authors are Alfred Politz, A. B. Blankenship, L. L. Thurstone, Archibald W. Crossley, Ralph F. Breyer, and Morris S. Viteles.

BUILDING PRODUCTIVE PERSONNEL RELATIONS: *Proceedings of the Seventeenth Pacific Coast Conference.* California Personnel Management Association, San Francisco, 1947. 60 pages. $1.00. Problems of personnel administration and labor relations are discussed by Alvin E. Dodd, Ralph Seward, Thomas R. Reid, F. W. Stein, and Roderic Olzendam. Topics include: a case history of a plan for multiple management; consultative management and the foreman; improving communication between management and the worker; practical approaches to arbitration problems.

EIGHTH INTERNATIONAL MANAGEMENT CONGRESS, STOCKHOLM, 1947: *Papers Submitted to the Sectional Meetings.* Volumes I and II. The Swedish National Committee of Scientific Management, Stockholm, 1947. 659 and 316 pages, respectively. Information on distribution available from Charles Hatch, Eighth International Management Congress, Coordinating Office for U. S. A. Participation, 347 Madison Avenue, New York 17, N. Y. Contains the texts of 75 addresses prepared for the Sectional Meetings of the Congress by such Management authorities as Lillian M. Gilbreth, Alvin E. Dodd,

Erwin H. Schell, Coleman L. Maze, Harry Arthur Hopf, Claude Duval, Guy B. Arthur, Jr., David E. Lilienthal, Gordon R. Clapp, Don G. Mitchell, and other representatives from many nations of the world. Papers are divided into 14 main sections: Business Administration, Home Management, Education for Management, Production Administration, Office Management, Modern Housing, Personnel Administration, Cost and Budgetary Control, Agricultural Management, Product Development, Selection and Training, Quality Control, Public Administration, and Distribution Administration. Most papers are in English; the remainder, in French, are accompanied by English summaries.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

WAGE RATE AND CONTRACT PROVISIONS REPORT. National Foremen's Institute, Inc., Deep River, Conn., 1947. 60 pages. $2.50.

EDUCATION AND TRAINING ACTIVITIES OF INSURANCE COMPANIES AND ASSOCIATIONS: *A Survey*. By R. deR. Kip. The Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia 4, Penna., 1947. 44 pages.

PRINCIPLES OF INDUSTRIAL ORGANIZATION. By D. S. Kimball, Sr., and D. S. Kimball, Jr. McGraw-Hill Book Company, Inc., New York, 1947. Sixth edition. 531 pages. $4.50.

SHOWMANSHIP IN BUSINESS. By K. M. Goode and Z. Kaufman. Harper & Brothers, New York, 1947. Second revised edition. 186 pages. $3.00.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT IN THE UNITED STATES, 1940 TO 1946. Economic Statistics Section, Population Division, Bureau of the Census, U. S. Department of Commerce, Washington 25, D. C., 1947. 58 pages.

INDUSTRIAL RELATIONS IN AUSTRALIA: *Proceedings of the Second Australian One-Day Top Management Conference Held by the Institute of Industrial Management.* The Institute of Industrial Management, 136-138 Queen St., Melbourne C. 1, Australia, 1947. 106 pages.

PRODUCTION INCENTIVE PLANS: *Proceedings of the First Australian One-Day Top Management Conference Held by the Institute of Industrial Management.* The Institute of Industrial Management, Melbourne, 1946. 106 pages.

CONFERENCE GUIDE TO BASIC MANAGEMENT TRAINING: *A Program of Directed Conference Suggestions for the Conference Leader.* By Arthur S. Hotchkiss. The National Foremen's Institute, Inc., Deep River, Conn., 1947. 196 pages. $5.50.

HOUSE ORGANS: *Basic Information Sources.* Inquiry Reference Service, U. S. Department of Commerce, Washington, D. C., September, 1947. 4 pages.

THE LAW OF BUSINESS. By W. Schrampfer. Rinehart & Co., Inc., New York, 1947. 679 pages. $4.50.

INDUSTRIAL PSYCHOLOGY. By J. Tiffin. Prentice-Hall, Inc., New York, 1947. Second edition (revised). 553 pages. $5.35.

PLANT-PROTECTION EMPLOYEES UNDER CURRENT FEDERAL LABOR LEGISLATION. University of Illinois, Urbana, Ill., 1947. 19 pages. Gratis.

JOB EVALUATION. By R. Moberly and E. Buffa. School of Commerce, Bureau of Business Research and Service, University of Wisconsin, Madison, Wis., 1947. 39 pages. $1.00.

A LABOR UNION MANUAL ON JOB EVALUATION. By W. Gomberg. Labor Education Division, Roosevelt College, Chicago, 1947. 80 pages. $1.00.

GETTING ALONG WITH OTHERS IN BUSINESS. By N. Shidle. B. C. Forbes and Sons Publishing Co., New York, 1947. 110 pages. $2.00.